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CAPITAL ENVIRONMENT HOLDINGS LIMITED

首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

PROPOSED CHANGE OF AUDITOR

This announcement is made by the board of directors (the “**Board**”) of Capital Environment Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

RETIREMENT OF AUDITOR

According to the relevant regulations issued by the Ministry of Finance of the People’s Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council regarding the audit work on financial statements of state-owned enterprises, there are restrictions in respect of the years of audit services that an accounting firm can continuously provide to a state-owned enterprise. The Company is a subsidiary of Beijing Capital Group Co., Ltd., which is a state-owned enterprise, and since the number of years that the Company has continuously engaged its existing independent auditor, Ernst & Young (“**EY**”), has reached the prescribed time limit, EY will retire as the auditor of the Company with effect from the conclusion of the forthcoming annual general meeting of the Company (the “**AGM**”). The Board also considers that a change of auditor after an appropriate period of time will enhance the independence of the auditor and maintain good corporate governance.

The Board has received a confirmation letter from EY, in which EY has confirmed that there are no circumstances connected with its retirement as auditor of the Company that should be brought to the attention of the shareholders or creditors of the Company. The Board also confirmed that there was no disagreement between the Company and EY or other matters relating to the proposed change of auditor that needed to be brought to the attention of the shareholders of the Company (the “**Shareholders**”).

The Board would like to take this opportunity to express its gratitude to EY for the professional and quality services that it has provided to the Group over the past years.

PROPOSED APPOINTMENT OF AUDITOR

In light of EY's scheduled retirement, the Company conducted an open procurement and selection process for the procurement of audit services which was overseen by the audit committee of the Board (the "**Audit Committee**"). Such process takes into account factors including but not limited to (i) the fee quote and the audit proposal of the relevant candidates; (ii) their audit experience, industry knowledge, quality control and data protection mechanisms, and technical competence in handling audit work for companies listed on the Stock Exchange; (iii) their independence and objectivity; and (iv) their resources and capabilities including manpower, time commitment and composition of audit working team.

Based on the result of the aforementioned process and with the recommendation of the Audit Committee, the Board has resolved to propose to appoint BDO Limited as the auditor of the Company with effect from the conclusion of the AGM and until the conclusion of the next annual general meeting of the Company, subject to the approval of the Shareholders at the AGM.

The aforementioned proposed appointment will be put forward for approval by the Shareholders by way of an ordinary resolution at the AGM. A circular containing, among other matters, the details of the proposed change of auditor of the Company together with the notice of the AGM will be despatched to the Shareholders in early June 2025.

By order of the Board
Capital Environment Holdings Limited
Li Fujing
Chairman

Hong Kong, 28 May 2025

As of the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Fujing and Mr. Li Qingsong; one non-executive Director, namely Ms. Hao Chunmei; and four independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Dr. Chan Yee Wah and Dr. Cao Fuguo.