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CHINA ENVIRONMENTAL TECHNOLOGY HOLDINGS LIMITED

中國環保科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 646)

**PROPOSED ISSUE OF CONVERTIBLE BONDS DUE 2023 IN THE
AGGREGATE PRINCIPAL AMOUNT OF HK\$40,000,000
UNDER GENERAL MANDATE**

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 29 April 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$40,000,000.

Completion is subject to the fulfilment or waiver of the Conditions Precedent set out in the Subscription Agreement. Detailed terms of the Subscription Agreement and the Convertible Bonds are set out in the paragraphs headed “Principal terms of the Subscription Agreement” and “Principal terms of the Convertible Bonds”, respectively, in the main text of this announcement.

As at the date of this announcement, the Company has a total of 3,650,358,761 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$0.206 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 194,174,757 Conversion Shares, representing approximately 5.32% of the existing issued share capital of the Company as at the date of this announcement and approximately 5.05% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the General Mandate.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The Subscriber will settle the payment in respect of the Convertible Bonds by instructing the Company to apply the Loan principal towards the principal amount of the Convertible Bonds. The issuance of the Convertible Bonds shall be considered full and final settlement for repayment of the Loan in the principal amount of HK\$40,000,000 under the Loan Agreement.

Completion of the Subscription Agreement is subject to the fulfillment or waiver of the Conditions Precedent. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

PROPOSED ISSUE OF THE CONVERTIBLE BONDS

On 29 April 2020 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which, on the terms and subject to the fulfillment or waiver of the Conditions Precedent therein, the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the Convertible Bonds in an aggregate principal amount of HK\$40,000,000. No application will be made for the listing of the Convertible Bonds. Details of the Subscription Agreement and the terms of the Convertible Bonds are described below.

THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement

- | | | |
|----------------------|---|---|
| Date | : | 29 April 2020 (after trading hours) |
| Parties | : | (i) The Company
(ii) The Subscriber |
| Subscription | : | Subject to the fulfillment or, if applicable, waiver of the Conditions Precedent, the Subscriber shall subscribe for, and the Company shall issue, the Convertible Bonds in the principal amount of HK\$40,000,000. |
| Payment | : | The Subscriber shall deliver written instructions to the Company for the application of the Loan principal towards the principal amount of the Convertible Bonds and confirmation that the conversion shall be considered full and final settlement for repayment of the Loan under the Loan Agreement. |
| Conditions Precedent | : | Closing is subject to the following conditions precedent: <ul style="list-style-type: none">(a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Conversion Shares that may be issued upon conversion of the Convertible Bonds;(b) the warranties given by the Company under the Subscription Agreement not having been breached and remaining true and accurate in all material respects and not misleading in any material respect as at the Closing Date; and(c) there being no event existing or having occurred and no condition being in existence which would (had the Convertible Bonds already been issued) constitute an Event of Default and no event or act |

having occurred which, with the giving of any required notice or any required lapse of time or both, would (had the Convertible Bonds already been issued) constitute an Event of Default.

- Closing : Closing shall take place on the Closing Date after all the Conditions Precedent have been fulfilled or waived (as the case may be).
- Termination : In the event that any of the Conditions Precedent shall not have been fulfilled or waived (as the case may be) prior to the Long Stop Date, this Agreement shall terminate and cease to be of any effect in accordance with the terms of the Subscription Agreement.

THE CONVERTIBLE BONDS

Principal terms of the Convertible Bonds

- Issuer : The Company
- Principal amount : HK\$40,000,000
- Maturity Date : The third anniversary of the day on which the Convertible Bonds are issued or the next immediately following Business Day if such anniversary date is not a Business Day.
- Interest : 12% per annum on the principal amount outstanding from time to time, accruing on a daily basis and calculated for actual number of days elapsed on a 365-day year.
- Conversion Rights : Subject to the Terms and Conditions, the Bondholder may, convert the whole or any part (in the authorized denominations) of the outstanding principal amount of its Convertible Bonds into Conversion Shares at any time during the conversion period (as set out herein below) at the Conversion Price.
- Conversion Price : The Conversion Price is initially set at HK\$0.206 per conversion share. The initial Conversion Price represents:
- (a) a premium of approximately 1,111.76% over the closing price of HK\$0.017 as quoted on the Stock Exchange on the Last Trading Day;
 - (b) a premium of approximately 1,171.60% over the average closing price of approximately HK\$0.0162 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day; and

- (c) a premium of approximately 1,195.60% over the average closing price of approximately HK\$0.0159 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day.

Adjustment events

: The Conversion Price is subject to adjustment upon the occurrence of certain prescribed events namely:

- (a) if there is an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
- (b) if the Company issues any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves and which would not have constituted a Distribution;
- (c) in the case of an issue of Shares by way of a scrip dividend where the Current Market Price of such Shares exceeds 110% of the relevant cash dividends declared by the Company and which would not have constituted a Distribution;
- (d) if the Company pays or makes any distribution to the Shareholders in cash only or (except to the extent that the Conversion Price falls to be adjusted under any conditions as set out in Terms and Conditions) other than in cash only;
- (e) if the Company issues Shares, or grant rights, options, warrants or other rights to subscribe for Shares to all or substantially all Shareholders at less than 90% of the Current Market Price;
- (f) if the Company issues any securities (other than Shares, or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders;
- (g) if the Company issues any Shares or grants options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares at less than 90% of the Current Market Price;
- (h) if the Company or any of its subsidiaries, or any other company, person or entity issues wholly for cash any securities (other than the Convertible Bonds) convertible or exchangeable for or with subscription right for Shares to be issued by the Company at a consideration per Share less than 95% of the Current Market Price;

- (i) if any of the conversion, exchange or subscription rights referred to in (h) immediately above is modified so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95% of the Current Market Price;
- (j) if the Company or any of its subsidiaries issues, sells or distributes any securities in connection with any offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (unless such issuance, sale or distribution also results in an adjustment due to another adjustment event); and
- (k) if the Company otherwise determines that an adjustment should be made to the Conversion Price;

provided however that the Conversion Price shall not be less than the par value of a Share.

Conversion period	:	From the date of issue of the Convertible Bonds until the expiry of the Maturity Date.
Conversion Shares	:	Based on the initial Conversion Price of HK\$0.206, a total of 194,174,757 Shares to be issued by the Company in respect of the exercise of Conversion Rights in full.
Events of Default	:	<p>The following events constitute Events of Default under the Terms and Conditions:</p> <ul style="list-style-type: none"> (a) a default is made for more than 7 days in the payment of the principal or interest under the Convertible Bonds when and as the same ought to be paid in accordance with the Terms and Conditions; (b) a default is made by the Company in the performance or observance of any covenant, condition or provision of the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal and interest payable under the Convertible Bond) and such default continues for the period of 10 days next following the service by a Bondholder or on the Company a notice requiring such default to be remedied; (c) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the

purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Bondholder;

- (d) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company or any Material Subsidiary (as the case may be);
- (e) a distress, execution or seizure order before judgement is levied or enforced upon or sued out against the whole or a material part of the assets or undertaking of the Company or any Material Subsidiary (as the case may be) and is not discharged within 14 days thereof;
- (f) the Company or any Material Subsidiary is unable to pay its debts as and when they fall due or the Company or any Material Subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors;
- (g) proceedings shall have been initiated against the Company or any Material Subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 60 days except for those already been disclosed on or before the Closing Date;
- (h) any event occurs which has an analogous effect to any of the events referred to in paragraphs (a) to (g) above;
- (i) the listing of the Shares is withdrawn from the Stock Exchange; and
- (j) trading of the Shares on the Stock Exchange is suspended for a consecutive period of more than 20 trading days.

Transferability : The Convertible Bonds shall not be assigned or transferred to any third party (whether he/she/it is a connected person (as that term is defined in the Listing Rules) of the Company) without the prior written consent of the Company.

Repayment : The Company shall repay the outstanding principal of the Convertible Bonds on Maturity Date.

Purchase	:	The Company or any of its subsidiaries may at any time and from time to time purchase Convertible Bonds at any price in the open market or otherwise in compliance with applicable laws and regulations.
Redemption	:	The Company may, at any time up to (and excluding) the commencement of the seven (7) calendar day period ending on (and including) the Maturity Date, when the principal amount of the Convertible Bonds outstanding is equal to or less than 10% of the original aggregate principal amount as at the Closing Date by written notice to the Bondholder elect to redeem the whole or part (being an authorized denomination) of the then outstanding principal amount of the Convertible Bonds.
Ranking	:	The Conversion Shares shall rank <i>pari passu</i> in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant registration date.
Voting	:	The Bondholders shall not be entitled to attend or vote at any meetings of the Company by reason only of them being Bondholders.
Listing	:	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange.

GENERAL MANDATE

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 28 June 2019, the Shareholders granted the General Mandate to the Board to allot and issue not more than 730,071,752 Shares.

As at the date of this announcement, the Company is entitled to issue up to 730,071,752 Shares under the General Mandate. The Conversion Shares will be allotted and issued under the General Mandate and no Shareholders' approval is therefore required.

LISTING OF CONVERSION SHARES

Application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

REASONS FOR ISSUING THE CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is engaged in the business of wastewater treatment equipment trading and made strategic adjustments to such business. In order to cope with the increased business scale of the Group and continual business development of the Group, the Subscriber is willing to grant the Loan to the Company to meet its imminent working capital requirements. Please refer to the announcement of the Company dated 27 March 2019 for details of the Loan.

The issuance of the Convertible Bonds is solely for the full and final settlement of the Loan in the principal amount of HK\$40,000,000 under the Loan Agreement.

The Board (including the independent non-executive Directors) considers that the terms and conditions of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

Information on the Company

The Company is an investment holding company. The principal activities of the Group are environmental protection including the provision of technology, products, equipment and system integration related to wastewater treatment.

Information on the Subscriber

The Subscriber is principally engaged in the business of investment holding. The Subscriber is a member of China Daisy Group, where all members of which have the word "Daisy" (菊) in their respective name. The principal businesses of China Daisy Group include venture capital targeting start-up companies, investment in primary and secondary stock market, and private investment in public equity. China Daisy Group also provides private banking services, asset management services, trustee services, financial due diligence services to its customers. In addition, it also advises on mergers and acquisitions, management buy-out, asset and debt restructuring, project financing and various type of transactions.

To the best of the Directors' knowledge, information and belief, the Subscriber is an independent third party to the Group and its connected persons.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

During the past twelve months prior to the date of this announcement, the Company did not perform any equity fund raising activity.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares upon full exercise of the Conversion Rights of the Convertible Bonds at the initial Conversion Price:

	As at the date of this announcement		Assuming the Convertible Bonds are fully converted into Conversion Shares at the initial Conversion Price	
	Shares	%	Shares	%
Xu Zhong Ping (<i>Note 1</i>)	1,244,098,431	34.08	1,244,098,431	32.36
Yang Baodong	792,000	0.02	792,000	0.02
Hu Yueyue	8,000,000	0.22	8,000,000	0.21
Pacific Fertility Institutes Holding Company Limited ("PFI") (<i>Note 2</i>)	720,608,000	19.74	720,608,000	18.74
Cheung Chun To	425,536,000	11.66	425,536,000	11.07

Subscriber	-	-	194,174,757	5.05
Public Shareholders	1,251,324,330	34.28	1,251,324,330	32.55
	3,650,358,761	100.00	3,844,533,518	100.00

Note:

1. 1,200,000,000 Shares were held under the name of Gentle International Holdings Limited ("**Gentle**"). Classy Jade Limited owns 60% of the issued share capital of Gentle. Mr. Xu Zhong Ping is the sole shareholder of Classy Jade Limited. Mr. Xu Zhong Ping was therefore deemed to be interested in the said 1,200,000,000 Shares held by Gentle under Part XV of the SFO. Mr. Xu Zhong Ping is the beneficial owner of the remaining 44,098,431 Shares.

2. This disclosure is based on Leon Li and PFI's self-declaration in the public domain. The Directors are unable to obtain written evidence to support Leon Li and PFI's claim despite an effort try to obtain such evidence from Leon Li and PFI was made.

PUBLIC FLOAT

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the Listing Rules from time to time. The Company's public float will not fall below the minimum prescribed percentage under the Listing Rules upon the conversion of the Convertible Bonds.

Completion of the Subscription Agreement is subject to the fulfilment or waiver of the Conditions Precedent. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

"Board"	means board of Directors;
"Bondholder(s)"	means holder(s) of the Convertible Bonds;
"Business Day"	means any day (other than Saturday, Sunday, a public holiday or a day on which a tropical cyclone warning No. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business;
"China Daisy AM"	means China Daisy Asset Management Limited (中菊資產管理有限公司), a member of China Daisy Group;
"China Daisy Group"	means the group of companies to which the Subscriber and China Daisy AM are members;
"Closing"	means the closing of the Subscription and issue of the Bonds subscribed by the Subscriber and performance by the parties of their respective obligations pursuant to the terms of the Subscription Agreement;

"Closing Date"	means the third Business Day following the date of the closing notice to be issued by the Company pursuant to the Subscription Agreement, or such other date as the Company and the Subscriber shall agree in writing;
"Company"	means China Environmental Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 646);
"Conditions Precedent"	means the conditions precedent to the Subscription Agreement;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Conversion Price"	means the conversion price of HK\$0.206 per Conversion Share initially or the amount as adjusted according to the Terms and Conditions;
"Conversion Rights"	means the rights attached to the Convertible Bonds to convert the aggregate principal amount or a part thereof into Conversion Shares;
"Conversion Share(s)"	means Share(s) to be issued upon conversion of the Convertible Bonds pursuant to the Bond Certificates and the Conditions;
"Convertible Bond(s)"	means the HK\$40,000,000 12% convertible bonds due 2023 to be issued by the Company subject to, and with the benefit of, the bond certificates and the Terms and Conditions;
"Current Market Price"	in respect of a Share at a particular date, means the average of the closing prices published in the Stock Exchange's Daily Quotations Sheet for one Share (assuming a transaction in a board lot) for the 60 consecutive trading days ending on and including the trading day last preceding such date;
"Director(s)"	means director(s) of the Company;
"Distribution"	means distribution in cash or specie;
"Events of Default"	means the events of default under the Terms and Conditions;
"General Mandate"	means the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 28 June 2019 to allot and issue and deal with up to 730,071,752 Shares, representing 20% of the issued share capital of the Company as at the date of such annual general meeting;
"Group"	means the Company and its subsidiaries;

"Hong Kong"	means the Hong Kong Special Administrative Region of the Peoples' Republic of China;
"HK\$"	means Hong Kong dollars, the lawful currency of Hong Kong;
"Last Trading Date"	means 29 April 2020, the last trading date of the Shares immediately prior to the determination of the initial Conversion Price;
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange;
"Loan"	means the loan of HK\$40,000,000 advanced by the Subscriber to the Company pursuant to the Loan Agreement;
"Loan Agreement"	means the loan agreement dated 27 March 2019 entered into between the Subscriber as lender and the Company as borrower in relation to the Loan;
"Long Stop Date"	means 22 July 2020, or such later date as may be agreed by the Company and the Subscriber;
"Material Subsidiary"	means a subsidiary of the Company which is a major operating subsidiary and whose total assets (based on its latest audited financial statements) represent more than 35% of the total assets of the Company, as stated in the latest audited consolidated financial statements of the Company
"Maturity Date"	means the maturity date of the Convertible Bonds which falls on the third anniversary of the day on which the Convertible Bonds are issued or the next immediately following Business Day if such anniversary date is not a Business Day;
"Share(s)"	means the ordinary share(s) of HK\$0.025 each in the share capital of the Company;
"Shareholder(s)"	means the holder(s) of the Share(s);
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Subscriber"	means China Daisy Finance Limited and whose information is more particularly described in the paragraph headed "Information on the Subscriber" in this announcement;
"Subscription"	means the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement;

"Subscription Agreement"	means the subscription agreement dated [30 April] 2019 entered into between the Company and the Subscriber in relation to the Subscription;
"Terms and Conditions"	means the terms and conditions of the Convertible Bonds; and
"%"	means per cent.

By order of the Board
China Environmental Technology Holdings Limited
XU Zhong Ping
Chairman

Hong Kong, 29 April 2020

As at the date of this announcement, the executive directors are Mr. Xu Zhong Ping, Mr. Yang Baodong and Ms. Hu Yueyue; the non-executive director is Mr. Ma Tianfu; and the independent nonexecutive directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.