

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 AMENDMENTS OF THE TERMS OF
THE CONVERTIBLE BONDS
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

1. PROPOSED AMENDMENTS OF THE TERMS OF THE CONVERTIBLE BONDS

Reference is made to the Announcements. The Board hereby announces that, on 26 July 2021 (after trading hours), the Company and the Bondholder entered into the Deed of Amendments in respect of the Proposed Amendments, pursuant to which the Company agreed with the Bondholder to amend certain terms and conditions of the Convertible Bonds.

2. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Company proposes to increase its authorised share capital from HK\$200,000,000 divided into 8,000,000,000 Shares of HK\$0.025 each to HK\$500,000,000 divided into 20,000,000,000 Shares of HK\$0.025 each by the creation of an additional 12,000,000,000 unissued Shares of HK\$0.025 each, which upon issue shall rank pari passu in all respects with the Existing Shares.

IMPLICATIONS UNDER THE LISTING RULES

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. The Company will apply to the Stock Exchange for approval for the Proposed Amendments contemplated by the Deed of Amendments pursuant to Rule 28.05 of the Listing Rules, including the granting the listing of and permission to deal in the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds (as amended by the Deed of Amendments).

GENERAL

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve, among other things: (i) the Deed of Amendments and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; and (ii) the Increase in Authorised Share Capital. No Shareholders will be required to abstain from voting at the EGM.

The Circular containing, among other things, further details of the above proposals in relation to (i) the Deed of Amendments and the transactions contemplated thereunder; (ii) the Increase in Authorised Share Capital; and (iii) the notice of the EGM and related proxy form, is expected to be despatched to the Shareholders on or before 13 August 2021.

The Proposed Amendments are subject to various conditions as stated in the section headed "Conditions Precedent". Potential investors and Shareholders are therefore urged to exercise caution when dealing in the Shares.

1. PROPOSED AMENDMENTS OF THE TERMS OF THE CONVERTIBLE BONDS

Reference is made to the Announcements. The Board hereby announces that, on 26 July 2021 (after trading hours), the Company and the Bondholder entered into the Deed of Amendments in respect of the Proposed Amendments, pursuant to which the Company agreed with the Bondholder to further amend certain terms and conditions of the Convertible Bonds as follows:–

Maturity Date : 31 July 2024

Conversion Period : any time within the period commencing from the issue date of the Convertible Bonds, being 30 July 2021, up to 4 p.m. of 30 July 2024, the day immediately prior to the Maturity Date

Adjusted Conversion Price : HK\$0.025 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds.

The Adjusted Conversion Price represents:

(i) a premium of approximately 13.64% to the closing price of HK\$0.022 per Share as quoted on the Stock Exchange on 26 July 2021, being the date of the Deed of Amendments;

(ii) a premium of approximately 8.70% to the average closing price of HK\$0.023 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately before the date of the Deed of Amendments; and

(iii) a premium of approximately 8.70% to the average closing price of HK\$0.023 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the date of the Deed of Amendments.

The Adjusted Conversion Price was determined after arm's length negotiations between the Company and the Bondholder with reference to the prevailing market prices of the Shares as shown above. The net issue price is approximately HK\$0.025 per Conversion Share. The Directors consider the Adjusted Conversion Price and the terms and conditions of the Deed of Amendments are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

Conversion Shares : Based on the Adjusted Conversion Price of HK\$0.025, a maximum number of 2,184,000,000 Conversion Shares shall be allotted and issued upon exercise in full of the Conversion Rights, which represent:

(i) approximately 59.83% of the existing issued share capital of the Company; and

(ii) approximately 37.43% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise in full of the Conversion Rights.

The Conversion Shares shall be allotted and issued pursuant to the Specific Mandate.

Future Financing : The Company undertakes to the Subscriber and the Bondholder that, unless otherwise consented to by the Subscriber and the Bondholder, during the period commencing from the completion date until the Maturity Date or the Early Redemption Date, whichever occurs earlier, it will not (a) alter the nominal value of the Shares as a result of consolidation, subdivision, reclassification or otherwise; or (b) issue any Shares credited as fully paid to Shareholders by way of capitalization of profits or reserves; or (c) make or pay any capital distribution to the Shareholders (in each case, the "**Dilution Event**"); or (d) at a consideration price (the "**New Issue Price**") of less than HK\$0.025 per Share (i) issue Shares by way of rights, or issue or grant to Shareholders by way of rights, options, warrants or other rights to subscribe for or purchase any Shares (other than options granted pursuant to a share option scheme already in force before the date of the Subscription Agreement); or (ii) issue any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company on conversion or subscription; or (iii) issue any Share for the acquisition of

asset; in each case (the “**New Issue**”).

The Company acknowledges and agrees that in the event of Dilution Event or in the event that the New Issue Price is less than HK\$0.025 for any New Issue without the consent of the Subscriber during the period commencing from the Completion Date until the Maturity Date or the Early Redemption Date, whichever occurs earlier, it shall be deemed to have delivered an Early Redemption Notice to the Subscriber and shall pay all Redemption Money to the Subscriber within 21 Business Days from the date of the New Issue or at the date of the Dilution Event, as the case may be.

Redemption on maturity : Unless previously converted, redeemed, purchased and cancelled or discharged, the Company shall redeem the Convertible Bonds at 125% of their principal amount together with interest on the Maturity Date.

Conditions Precedent

The Proposed Amendments shall become effective on the first day after the occurrence of all the following conditions:

- (a) the Board has granted its approval regarding the Proposed Amendments pursuant to the Deed of Amendments;
- (b) the Stock Exchange has granted its approval for the amendments of the Convertible Bonds in accordance with the Deed of Amendments pursuant to Rule 28.05 of the Listing Rules;
- (c) the Listing Committee of the Stock Exchange has granted its approval regarding the listing of, and a permission to deal in, the Conversion Shares which shall fall to be issued by the Company upon conversion of the Convertible Bonds, if required; and
- (d) the Shareholders have granted their approval regarding the Proposed Amendments pursuant to the Deed of Amendments and the Conversion Shares to be issued by the Company upon conversion of the Convertible Bonds.

Save for the Proposed Amendments above, all other principal terms of the Convertible Bonds remain unchanged.

Equity fund raising activities of the Company during the past 12 months

There has not been any other equity fund raising exercise made by the Company in the 12 months immediately preceding the date of this announcement.

Effect on shareholding structure of the Company

Set out below are the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon full conversion of the Convertible Bonds:

Shareholders	Capacity/Nature of Interest	As at the date of this announcement		Upon full conversion of the Convertible Bonds	
		Number of Shares	approximate %	Number of Shares	approximate %
Xu Zhongping (Note 1)	Interest held by a controlled corporation	1,014,500,000	27.79	1,014,500,000	17.39
	Beneficial owner	44,098,431	1.21	44,098,431	0.76
Yang Baodong (Note 2)	Beneficial owner	792,000	0.02	792,000	0.01
Hu Yueyue (Note 3)	Beneficial owner	8,000,000	0.22	8,000,000	0.14
Other public Shareholders		2,582,968,330	70.76	2,582,968,330	44.27
The Bondholder		-	-	2,184,000,000	37.43
Total		3,650,358,761	100.00	5,834,358,761	100.00

Notes:

1. These 1,014,500,000 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 Zhongping, a non-executive Director, is the sole shareholder of Classy Jade Limited. Mr. Xu was therefore deemed to be interested in the said 1,014,500,000 shares held by Gentle under Part XV of the SFO.
2. Mr. Yang Baodong is an executive Director.
3. Ms. Hu Yueyue is an executive Director.

Specific Mandate

Due to the Adjusted Conversion Price of the Convertible Bonds, the Conversion Shares will be allotted and issued under the Specific Mandate to be sought at the EGM upon exercise of the conversion rights under the Convertible Bonds.

Application of Listing

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares. No application will be made of the listing of, and the permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

Use of Proceeds

The Company has already applied the proceeds from the issue of the Convertible Bonds in the principal amount of US\$7,000,000 for the intended use as disclosed in the announcement of the Company dated 29 December 2017.

Reasons for the Proposed Amendments

The Convertible Bonds will have, but for the Proposed Amendments, matured on 31 July 2021 upon which the Company would be required to deploy its cash reserves to redeem the Convertible Bonds. As of today, the Company does not have adequate cash to repay this Convertible Bonds. The Proposed Amendments in effect allows the Company to refinance its debts under the Convertible Bonds. It will provide flexibility to the Company's working capital management and avoid potential liquidity issue. The Proposed Amendments were arrived at after arm's length negotiations between the Company and the Bondholder. Accordingly, the Board considered that the Proposed Amendments is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implication under the Listing Rules

According to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible equity securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible equity securities. The Company will apply to the Stock Exchange for approval for the Proposed Amendments contemplated by the Deed of Amendments pursuant to Rule 28.05 of the Listing Rules, including the granting the listing of and permission to deal in the Conversion Shares pursuant to the terms and conditions of the Convertible Bonds (as amended by the Deed of Amendments). No application will be made of the listing of, and the permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

2. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the issued Shares are 3,650,358,761 and the unissued Shares are 4,349,641,239 Shares which is close to the aggregate of the maximum of 223,200,000 Shares may be allotted and issued upon the exercise of stock options issued by the Company and the maximum of 2,184,000,000 Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds in full. The Increase in Authorised Share Capital will provide the Company with greater flexibility to accommodate future expansion and growth of the Group going forward.

The Company proposes to increase its authorised share capital from HK\$200,000,000 divided into 8,000,000,000 Shares of HK\$0.025 each to HK\$500,000,000 divided into 20,000,000,000 Shares of HK\$0.025 each by the creation of an additional 12,000,000,000 unissued Shares of HK\$0.025 each, which upon issue shall rank pari passu in all respects with the Existing Shares.

The Board considers that the increase in authorised share capital will provide the Company with flexibility for fund raising by allotting and issuing new Shares in the future as and when appropriate for future investment opportunities and other corporate purposes. The Board believes that the proposed increase in authorised share capital of the Company is in the interests of the Company and the Shareholders as a whole. The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM approving the same.

GENERAL

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve, among other things: (i) the Deed of Amendments and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; and (ii) the Increase in Authorised Share Capital. No Shareholders will be required to abstain from voting at the EGM.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

"Adjusted Conversion Price"	HK\$0.025, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds
"Announcements"	the announcements of the Company dated 29 December 2017, 16 January 2018, 29 March 2019, 31 May 2019, 31 March 2020, 16 March 2021, 28 June 2021 and 19 July 2021
"Board"	the board of Directors
"Bondholder" or "Subscriber"	Mr. Zhang Zihong, an independent third party and the bondholder of the Convertible Bonds subsequent to the completion of the Sale and Purchase Agreement
"Business Day"	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"Circular"	the circular of the Company containing, among other things, the proposals in relation to the Deed of Amendments and the Increase in Authorised Share Capital
"Company"	China Environmental Technology Holdings Limited (Stock Code: 646), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

"Convertible Bonds"	the convertible bonds in the principal amount of US\$7,000,000 issued by the Company on 16 January 2018 pursuant to the Subscription Agreement
"Conversion Shares"	the new Shares to be allotted and issued to the Bondholder by the Company upon exercise of the conversion rights attached to the Convertible Bonds (as amended by the Deed of Amendments)
"Deed of Amendments"	the deed of amendments dated 26 July 2021 entered into between the Company and the Bondholder in respect of the Proposed Amendments
"Director(s)"	the director(s) of the Company
"Early Redemption"	has the meaning as defined in the announcement of the Company dated 29 December 2017
"Early Redemption Date"	has the meaning as defined in the announcement of the Company dated 29 December 2017
"Early Redemption Notice"	has the meaning as defined in the announcement of the Company dated 29 December 2017
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Deed of Amendments and the Increase in Authorised Share Capital
"Group"	the Company and its subsidiaries (from time to time)
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Increase in Authorised Share Capital"	the proposed increase in authorised share capital of the Company from HK\$200,000,000 divided into 8,000,000,000 Shares of HK\$0.025 each to HK\$500,000,000 divided into 20,000,000,000 Shares of HK\$0.025 each by the creation of an additional 12,000,000,000 unissued Shares of HK\$0.025 each
"Independent Third Party(ies)"	party who is independent of, and not connected with the Directors, chief executive or substantial shareholders of each of the Company, its subsidiaries and their respective associates, in accordance with the Listing Rules

"Listing Committee"	has the meaning ascribed thereto under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	31 July 2024
"Proposed Amendments"	the proposed amendments of certain terms and conditions of the Convertible Bonds pursuant to the Deed of Amendments
"Sale and Purchase Agreement"	the sale and purchase agreement dated 29 March 2019 (as amended by the amendment and supplemental agreement dated 31 May 2019, the second amendment and supplemental deed dated 31 March 2020, the third amendment and supplemental deed dated 16 March 2021 and the fourth amendment and supplemental deed dated 19 July 2021) was entered into by CEIAM International Capital Partners (I) LP ("CEIAM"), the then holder of the Convertible Bonds, the Bondholder and the Company in respect of the sale and purchase of the Convertible Bonds
"Share(s)" or "Existing Share(s)"	the ordinary share(s) of HK\$0.025 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to be sought from the Shareholders at the EGM to approve, inter alia, the allotment and issuance of the Conversion Shares upon full conversion
"Subscription Agreement"	the subscription agreement dated 29 December 2017 entered into between the Company and CEIAM in relation to the subscription of the Convertible Bonds in the aggregate principal amount of US\$7,000,000 (equivalent to HK\$54,600,000)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

By Order of the Board
**CHINA ENVIRONMENTAL
TECHNOLOGY HOLDINGS LIMITED**
XU Jinping
Chairman

Hong Kong, 26 July 2021

As at the date of this announcement, the executive directors are Mr. Xu Jinping, Mr. Yang Baodong and Ms. Hu Yueyue; the non-executive directors are Mr. Xu Zhongping and Mr. Ma Tianfu; and the independent nonexecutive directors are Mr. Tse Chi Wai, Professor Zhu Nanwen and Professor Li Jun.