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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)

**(1) APPOINTMENT OF EXECUTIVE DIRECTOR;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE FORMATION OF A JOINT
VENTURE COMPANY AND CAPITAL CONTRIBUTION;
AND
(3) COMPLETION OF DISCLOSEABLE AND
CONNECTED TRANSACTION IN RELATION TO THE
ACQUISITION OF 51% EQUITY INTEREST IN THE
TARGET COMPANY**

References are made to the announcements of the China Environmental Technology Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 November 2021 and 22 December 2021 (the “**Announcements**”) in relation to, among other things, the Acquisition. Capitalized terms used herein shall have the same meanings as those defined in the Announcements unless otherwise stated herein.

(1) APPOINTMENT OF EXECUTIVE DIRECTOR

The Board announces that with effect from 4 January 2022, Mr. Shengbiao Zhang has been appointed as an executive Director of the Company.

Set out below is the biographical profile of Mr. Shengbiao Zhang:

Mr. Shengbiao Zhang

Mr. Shengbiao Zhang, aged 51, a vocational graduate from Shaoxing Building Technology Vocational School, has been running his own international business over 20 years. In 2015, he set up Jonsime (Shenzhen) Health Development Investment Co., Ltd. and started his healthcare related business in Mainland China.

In 2019, he had been appointed as the Vice Representative of ASEAN Center, Chahar Association. In 2021, he had been appraised as Category A Expert by Foreign Expert Department of Shenzhen, China.

Mr. Shengbiao Zhang was a director of three private companies, Shenzhen Youyun Shangwang Co., Ltd. * (深圳優雲商網有限公司, Shenzhen Hengyuan Industrial Co., Ltd.* (深圳恆源實業有限公司) and Shenzhen Yiming Health Management Co., Ltd.* (深圳壹明健康管理有限公司) prior to their revocation of business licenses. Mr. Shengbiao Zhang confirmed that each of the said companies was solvent at the time of its revocation of business license; there was no wrongful act on his part leading to the above revocation of business license; that he is not aware of any actual or potential claim that has been or will be made against him as a result of the above dissolution or revocation of business license; and that such revocation of business license had not resulted in any liability or obligations being imposed against him.

The Board would like to express its warmest welcome to Mr. Shengbiao Zhang joining the Group as executive Director of the Company.

(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE FORMATION OF A JOINT VENTURE COMPANY AND CAPITAL CONTRIBUTION

Background

On 30 December 2021, two subsidiaries of the Target Group, namely, XZSJK and ZSKJ, set up a joint venture company named Zhongshen Kangde (Guangdong) Biotechnology Company Limited (“**Zhongshen Kangde**”) in the city of Shaoguan, Guangdong province, People’s Republic of China, with Shenzhen Zhengtian Corporate Development Company Limited (“**Zhengtian**”) and Lixing Zhongtian Investment Company Limited (“**Lixing Zhongtian**”). The Target Group, Zhengtian

and Lixing Zhongtian hereinafter collectively known as the equity owners of Zhongshen Kangde (“**Equity Owners of Zhongshen Kangde**”).

To the best knowledge of the Directors, Zhengtian is an independent third party of the Company and Lixing Zhongtian is a company majority owned by Mr. Zhang Zihong, a substantial shareholder of the Company.

Listing Rules Implication

Mr. Zhang Zihong is a substantial shareholder of the Company holding approximately 16.67% of the Company’s issued share capital as at the date of this announcement and is therefore a connected person of the Company under the Listing Rules. As the applicable percentage ratios in respect of the total capital commitment of the Company for the setup of Zhongshen Kangde once the Company completed the acquisition of the Target Group exceed 5% but are less than 25% and the total consideration is less than HK\$10,000,000, the setup of Zhongshen Kangde constitutes a discloseable and connected transaction for the Company once the Company completed the acquisition of the Target Group which is subject to the reporting and announcement requirements under the Listing Rules.

Scope of Business

Zhongshen Kangde is to build 1) a non-human primate experimental base, 2) South China branch of the National Stem Cell Transformation Resource Bank and its related supporting P3 biological laboratories, and 3) a third-party service platform for the stem cell industry.

Registered capital and capital contribution

The total registered capital is RMB 20 million, of which, XZSJK, ZSKJ, Zhengtian and Lixing Zhongtian shall contribute 10%, 10%, 4% and 76% of the registered capital, respectively. There are no other capital contribution required other than the registered capital. In other words, the Target Group shall contribute RMB 4 million out of the RMB 20 million total registered capital. The Equity Owners of Zhongshen Kangde shall make the requisite capital contribution in cash on or before 31 May 2022.

Sharing of profits

Zhongshen Kangde may only make distribution of profits after making up for the losses incurred in previous years and making provision for the statutory reserve fund under the relevant PRC laws and regulations. The profit available for distribution of Zhongshen Kangde is distributed according to the proportion of the capital contribution of the Equity Owners of Zhongshen Kangde. If any party fails to fulfill its capital contribution obligation, the profit will be distributed according to the proportion of the actual capital contribution by each party of the Equity Owners of Zhongshen Kangde.

Management of Zhongshen Kangde

The board of directors of Zhongshen Kangde shall consist of five directors, the Target Group and Lixing Zhongtian each shall nominate two directors and Zhengtian shall nominate one directors. The term of office for all directors is three years. At the expiry of the term, the directors may be re-elected.

Zhongshen Kangde shall have one general manager appointed by the board of directors. The board shall have one chairman who shall be elected by the board of directors. The chairman shall also serve as the legal representative of Zhongshen Kangde.

Zhongshen Kangde shall have one supervisor and shall be determined by the meeting of the Equity Owners of the Zhongshen Kangde.

Restriction on equity transfer

The equity owners of Zhongshen Kangde may transfer all or part of their interest to each other. Each of the equity owners of Zhongshen Kangde shall have a right of first refusal on any transfer of all or any part of the equity interest held by the party proposing to transfer its equity interest. The equity owners of Zhongshen Kangde may, with the consent of the other parties, transfer all or part of its equity interests in the Zhongshen Kangde to third parties. If consent to the transfer is not given, then the non-consenting party shall purchase such shares from the party proposing to transfer its equity interest. The non-consenting party shall be deemed to have agreed to the equity transfer if it fails to purchase such shares.

Reasons and Benefits of the Formation of Zhongshen Kangde

As previously announced, the Board has decided to change the Company's health related business from performing researches in stem cell for developing new drugs and servicing cell related researches to focus in expanding its capabilities in servicing the cell and other biomedical industry sectors. The change in such focus would allow the Group to generate health related products and services revenue in near future while significantly reduce cash outflows in performing researches as well as reduce significant business risks to the Group.

The participation in Zhongshen Kangde equity will allow the Group to further extend its capabilities in servicing the cell and other biomedical industry sector. The Board considers this is a good business outlook and prospect for the Group, which can also potentially increase the Group's revenue base and strengthen the Group's position in the biomedical sector.

(3) COMPLETION OF DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% EQUITY INTEREST IN THE TARGET COMPANY

Because (1) Mr. Shenbiao Zhang, being one of the Vendor of the Acquisition, is appointed as executive Director of the Company; and (2) the Target Group set up Zhongshen Kangde with Mr. Zhang Zihong, a substantial shareholder of the Company, the Acquisition becomes a connected transaction of the Company under the Listing Rules.

Listing Rules Implication

As the applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25% and the total consideration is less than HK\$10,000,000, the Acquisition constitutes a discloseable and connected transaction for the Company which is subject to the reporting and announcement requirements under the Listing Rules.

Waiver

The Board considered from a cost and benefit angle, decided to waive the engagement of independent professional valuers to fair value of the net assets attributable to the owners of the Target Group as at 31 October 2021 for an acquisition of HK\$100,000 as one of the Conditions Precedent of the Acquisition.

Completion

Apart from the valuation report from a firm of independent professional valuers, the Board is pleased to announce that all other conditions precedent under the Sale and Purchase Agreement have been fulfilled and therefore, the Completion took place on 3 January 2022.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Environmental Technology Holdings Limited
Xu Jingping
Chairman

Hong Kong, 3 January 2022

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