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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)*

**UPDATE AND ADDITIONAL INFORMATION ON
DISCLOSEABLE AND CONNECTED TRANSACTION IN
RELATION TO THE FORMATION OF A JOINT
VENTURE COMPANY AND CAPITAL CONTRIBUTION**

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, 22 December 2021 and 3 January 2022 (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.

The Board is pleased to announce that on 6 January 2022, XZSJK (an indirect subsidiary of the Company which holds 10% registered capital of Zhongshen Kangde) and Zhengtian, another equity owner of Zhongshen Kangde entered into an equity transfer agreement pursuant to which XZSJK has agreed to transfer, and Zhengtian has agreed to receive, 10% equity interest in Zhongshen Kangde at a consideration of RMB 1, which shall be satisfied in cash. As at the date of this announcement, Zhongshen Kangde has no paid up capital and has not commenced any business.

As a result, the total capital commitment for setting up Zhongshen Kangde of the Group is now reduced from RMB 4 million as announced in 3 January 2022 by the Company to RMB 2 million. The Group intends to borrow loans to finance such RMB 2 million capital commitment.

INFORMATION OF OTHER EQUITY HOLDERS OF ZHONGSHEN KANGDE

Zhengtian

Zhengtian is a private company established in the city of Shenzhen, Guangdong province, China, whose principal business is trading of construction materials and is wholly owned by Mr. Xu Zhifeng, an independent party of the Company.

Lixing Zhongtian

Lixing Zhongtian is a private company established in Beijing, China, whose principal business is investment and technology development and is majority owned and controlled 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 total capital commitment of the Company for the set up of Zhongshen Kangde is now reduced from RMB 4 million as announced by the Company on 3 January 2022 to RMB 2 million, the applicable percentage ratios in respect of such commitment falls below 5% and the total consideration is less than HK\$3,000,000, the set up of Zhongshen Kangde by itself does not constitute a discloseable connected transaction for the Company under the Listing Rules.

However, taking into account of the Acquisition is also a connected transaction which is conducted within 12 months, the Board considered the Acquisition and the formation of Zhongshen Kangde should be aggregate for significance test. As the applicable percentage ratios in respect of the Acquisition and the setting up of Zhongshen Kangde in aggregate exceed 5% but are less than 25% and the total consideration is less than HK\$10,000,000, the Acquisition and the set up of Zhongshen Kangde constitutes a discloseable and connected transaction for the Company which is subject to the reporting and announcement requirements but is exempt from the circular (including independence financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS FOR SETTING UP 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 will give the Group a good business outlook and prospect, which can also potentially strengthen the Group's position in the biomedical sector.

However, as the Group is having a tight working capital at the date of this announcement, the Board decided to reduce its capital commitment from RMB 4 million as previously announced to RMB 2 million by reducing the percentage of equity holding in Zhongshen Kangde.

The Directors (including the independent non-executive Directors) are of the view that, as far as the Shareholders are concerned, the setup of Zhongshen Kangde is entered into in the ordinary course of business of the Company, on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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 Jinping
Chairman

Hong Kong, 7 January 2022

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