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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)

**SUBSCRIPTION OF NEW SHARES
UNDER GENERAL MANDATE**

SUBSCRIPTION OF NEW SHARES UNDER A GENERAL MANDATE

On 19 February 2023, the Company entered into the Subscription Agreement with China Chemical Investment (Hong Kong) Limited (the Subscriber), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 22,000,000 Subscription Shares at the Subscription Price of HK\$0.6075 per Subscription Share.

The Subscription Shares represent approximately 10.04% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.13% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the date of completion of the Subscription). The Subscription Shares will be issued under the General Mandate and will rank pari passu in all respects among themselves and with the existing Shares.

The Subscription Price of HK\$0.6075 per Subscription Share represents (i) a discount of approximately 19.00% to the closing price of HK\$0.7500 per Share as quoted on the Stock Exchange on 17 February 2023, being the latest trading day immediately before the date of the Subscription Agreement; and (ii) a discount of approximately 18.57% to the average closing price of approximately HK\$0.7460 per Share as quoted

on the Stock Exchange for the last five (5) consecutive trading days up to and including 17 February 2023, being the trading day immediately preceding the date of the Subscription Agreement.

The aggregate gross proceeds of the Subscription will be approximately HK\$13.37 million. The aggregate net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$13.30 million, representing a net issue price of approximately HK\$0.6045 per Subscription Share. The Company intends to apply the net proceeds of the Subscription in the manner set out in the paragraph headed “Reasons for the Subscription and use of proceeds” of this announcement.

Application will be made to the Listing Committee for listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

Completion of the Subscription is subject to the fulfillment of the conditions precedent under the Subscription Agreement. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 19 February 2023, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 22,000,000 Subscription Shares at the Subscription Price of HK\$0.6075 per Subscription Share.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date:	19 February 2023
Parties:	(1) the Company as issuer; (2) the Subscriber as subscriber
Subscription shares:	22,000,000 shares
Subscription price:	HK\$0.6075 each
Consideration payable:	HK\$13,365,000

Information of the Subscriber

The Subscriber, China Chemical Investment (Hong Kong) Limited, is a limited company incorporated in Hong Kong under the Companies Ordinance. Mr. Zhong Shirong is the sole shareholder and director of the Subscriber, who is mainly engaged in the engineering and construction industry in the People’s Republic of China.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscriber is a third party independent of the Company and its connected persons. It is expected that the

Subscriber will not become a substantial Shareholder (as defined in the Listing Rules) of the Company immediately upon Completion.

The Subscription Shares

The Subscriber has agreed to subscribe for, and the Company has agreed to allot and issue, a total of 22,000,000 Subscription Shares represent approximately 10.04% of the existing issued share capital of the Company as at the date of this announcement and approximately 9.13% of the issued share capital of the Company as enlarged by the Subscription Shares (assuming there are no other changes in the share capital of the Company between the date of the Subscription Agreement and the date of completion of the Subscription).

Subscription Price

The Subscription Price is HK\$0.6075 per Subscription Share. The aggregate nominal value of the 22,000,000 Subscription Shares is HK\$11,000,000.

The Subscription Price represents:

- (i) a discount of approximately 19.00% to the closing price of HK\$0.7500 per Share as quoted on the Stock Exchange on 17 February 2023, being latest trading day immediately before the date of the Subscription Agreement; and
- (ii) a discount of approximately 18.57% to the average closing price of approximately HK\$0.7460 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 17 February 2023, being the trading day immediately preceding the date of the Subscription Agreement.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$0.6045 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading price and trading volume of the Shares. The Directors consider that the terms and conditions of the Subscription Agreement (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The aggregate Subscription Price in the sum of HK\$13,365,000 will be payable by the Subscriber on the Completion Date.

Conditions of the Subscription Agreement

Completion of the Subscription is conditional upon

(a) the Subscription Agreement being duly executed by the Company and the Subscriber;

(b) the listing of and permission to deal in the Subscription Shares on the Main Board being granted by the Stock Exchange (whether such grant is conditional or not); and

(c) the aggregate Subscription Price in the sum of HK\$13,365,000 being fully paid by the Subscriber.

If the condition as set out in the above is not fulfilled on or before 28 February 2023, the obligations and liabilities of Subscriber and the Company under the Subscription Agreement shall cease and terminate, and the Subscriber and the Company shall be released from all rights and obligations save for any antecedent breach thereof.

Completion of the Subscription

Completion of the Subscription of the Subscription Shares will take place on the Completion Date.

General Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 43,803,588 Shares. As at the date of this announcement, the Company has not allotted and issued any Shares pursuant to the General Mandate and the General Mandate is sufficient for the allotment and issue of all the Subscription Shares. As such, the issue of the Subscription Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to approximately 50.22% upon the allotment and issue of all the Subscription Shares.

Ranking and application for listing

The Subscription Shares will be issued under the General Mandate and will rank pari passu in all respects among themselves and with the existing Shares in issue on the date of completion of the Subscriptions. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

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.

CHANGES TO THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company immediately before and immediately after completion of the Subscription are set out as follows:

Shareholders	Capacity / Nature of Interest	Immediately before completion of the Subscription		Immediately after completion of the Subscription		Immediately after completion of the Subscription and full conversion of the Convertible Bond	
		No. of shares	% of shareholding (approximately)	No. of shares	% of shareholding (approximately)	No. of shares	% of shareholding (approximately)
Xu Zhongping (Note 1)	Interest held by a controlled corporation	50,725,000	23.16	50,725,000	21.05	50,725,000	14.48
	Beneficial owner	2,204,921	1.01	2,204,921	0.91	2,204,921	0.63
	Interest held by a wholly owned corporation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,880,000</u>	<u>10.25</u>
		52,929,921	24.17	52,929,921	21.96	88,809,921	25.36
Yang Baodong (Note 2)	Beneficial owner	39,600	0.02	39,600	0.02	39,600	0.01
Hu Yueyue (Note 3)	Beneficial owner	400,000	0.18	400,000	0.17	400,000	0.11
Zhang Zihong	Beneficial owner	33,980,000	15.51	33,980,000	14.10	88,580,000	25.29
Hoshino Takayuki	Beneficial owner	-	-	-	-	18,720,000	5.35
The Subscriber	Beneficial owner	-	-	22,000,000	9.13	22,000,000	6.28
Public		<u>131,668,417</u>	<u>60.12</u>	<u>131,668,417</u>	<u>54.63</u>	<u>131,668,417</u>	<u>37.60</u>
		<u>219,017,938</u>	<u>100.00</u>	<u>241,017,938</u>	<u>100.00</u>	<u>350,217,938</u>	<u>100.00</u>

Notes:

1. These 50,725,000 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, an executive Director, is the sole shareholder of Classy Jade. Mr. Xu Zhongping was therefore deemed to be interested in the said 50,725,000 shares held by Gentle under Part XV of the SFO.
2. Mr. Yang Baodong is an executive Director.
3. Ms. Hu Yueyue is a non-executive Director.
4. Certain figures may not add up due to rounding.

As of the date of this announcement, none of the Convertible Bonds were converted.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the environmental related business in the PRC including the provision of environmental technologies, products, equipment and system integration relating to water treatment, conservation, purification, recycling and management, and wastewater treatment.

The Directors consider that the Subscription will enlarge the shareholder and capital base of the Company and also increase the overall liquidity of the Shares and strengthen the financial position of the Group. The Directors consider that the terms and conditions of the Subscription Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The aggregate gross proceeds of the Subscription will be approximately HK\$13.37 million and the aggregate net proceeds of the Subscription, after the deduction of the related expenses, are estimated to be approximately HK\$13.30 million, representing a net issue price of approximately HK\$0.6045 per Subscription Share. The Company intends to use the net proceeds from the Subscription for its general working capital.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“AGM”	the annual general meeting of the Company held on 31 May 2022
“Board”	the Board of the Directors
“Business Day(s)”	any day (other than a Saturday or Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong and the Companies Ordinance, Chapter 622 of the Laws of Hong Kong (if applicable)
“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
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Completion Date”	the date on which all the Conditions as set out in the Subscription Agreement are satisfied in full being the date on which Completion occurs in accordance with the terms and conditions of the Subscription Agreement
“Conditions”	the conditions precedent for the Completion as set out in the Subscription Agreement

“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Convertible Bonds”	the convertible bonds in the principal amount of US\$7,000,000 (equivalent to HK\$54.6 million) issued by the Company on 15 January 2018
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the AGM, pursuant to which a maximum of 43,803,588 new Shares may fall to be allotted and issued as at the date of this announcement
“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
“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 Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board stock market operated by the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.5 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscriber”	China Chemical Investment (Hong Kong) Limited, a company incorporated in Hong Kong under the Companies Ordinance, and wholly owned by Mr. Zhong Shirong, an Independent Third Party.
“Subscription”	the subscription by the Subscriber for, and the allotment and issue by the Company of, the Subscription Shares under the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 19 February 2023 in relation to the Subscription

“Subscription Price”	HK\$0.6075 per Subscription Share
“Subscription Shares”	22,000,000 new Shares to be subscribed by Subscriber pursuant to the Subscription Agreements
“subsidiary(ies)”	subsidiary(ies) of the Company
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

Completion of the Subscriptions is subject to the fulfillment of the conditions precedent under the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 19 February 2023

As at the date of this announcement, the executive directors are Mr. Xu Jinping, Mr. Xu Zhongping and Mr. Yang Baodong; the non-executive director 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.