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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)

Discloseable Transaction

The Acquisition of 50% Equity Interests in the Target Company

The Acquisition

The Board is pleased to announce that on 7 May 2023, the Company and the Seller entered into the Share Transfer Agreement, pursuant to which, the Company conditionally agreed to acquire and the Seller conditionally agreed to sell 50% equity interests in the Target Company, and the transaction consideration was HK\$1. Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

Meanwhile, the Company, the Seller, YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL entered into the Shareholders' Agreement. According to the Shareholders' Agreement, the registered capital of the Target Company is HK\$60 million, among which, the Company holds 50% of the shares, the Seller holds 30% of the shares, and YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL each holds 10% of the shares, respectively. Each of the shareholders shall pay the subscription of the capital contribution of the Target Company in cash, and the payment deadline is subject to the duration of the Target Company. The Target Company will be engaged in the development, integration, sales, operation, service and other related businesses of complete sets of equipment and technology for solid waste environmental protection projects and new energy projects.

Listing Rules Implications

The Company shall subscribe for HK\$30 million of the Target Company's registered capital during the Target Company's existence, and one or more applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) calculated in accordance with the transaction consideration and the capital contribution to be subscribed by the Company as the total consideration for the Acquisition exceed 5%, but are less than 25%. Therefore, the Acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

As the effectiveness of the Share Transfer Agreement is subject to the fulfillment of the conditions precedent set out thereon, the Acquisition may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

1. Introduction

The Board is pleased to announce that on 7 May 2023, the Company and the Seller entered into the Share Transfer Agreement, pursuant to which, the Company conditionally agreed to acquire and the Seller conditionally agreed to sell 50% equity interests in the Target Company, and the transaction consideration was HK\$1. Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

Meanwhile, the Company, the Seller, YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL entered into the Shareholders' Agreement. According to the Shareholders' Agreement, the registered capital of the Target Company is HK\$60 million, among which, the Company holds 50% of the shares, the Seller holds 30% of the shares, and YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL each holds 10% of the shares, respectively. Each of the shareholders shall pay the subscription of the capital contribution of the Target Company in cash, and the payment deadline is subject to the duration of the Target Company. The Target Company will be engaged in the development, integration, sales, operation, service and other related businesses of complete sets of equipment and technology for solid waste environmental protection projects and new energy projects.

2. Share Transfer Agreement

Date: 7 May 2023

Parties: (i) the Company (as purchaser); and
(ii) the Seller

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its ultimate beneficial owners are Independent Third Parties of the Company and its connected persons.

The Acquisition

The Company conditionally agreed to acquire and the Seller conditionally agreed to sell 50% equity interests in the Target Company. Before the completion of the Acquisition, the Target Company was held 75% by the Seller, 15% by SANHE TECHNOLOGY and 10% by YU MING ENVIRONMENTAL. After the completion of the Acquisition, the Target Company will be held 50% by the Company, 30% by the Seller, and 10% by YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL respectively.

Transaction consideration

As the Seller has not paid its capital contribution in the Target Company, the Target Company has not carried out any business activities, and its financial information is all HK\$0, the transaction consideration for the Acquisition is HK\$1. After the conditions precedent of the Share Transfer Agreement are satisfied and within 30 days from the effective date of the Share Transfer Agreement, the Company shall pay by cash or transfer the Seller in one lump sum.

The transaction consideration and the capital contribution to be paid by the Company are expected to be financed by the Group's internal funds.

Conditions precedent

The Share Transfer Agreement will only become effective when the following conditions are met:

1. The registered capital of the Target Company has been reduced from US\$30 million to HK\$60 million, and has been approved by the government market supervision and registration department. After the capital reduction, the registered capital of the Target Company is HK\$60 million, and the Seller should continue to hold 75% of the shares of the Target Company corresponding to the subscription of the capital contribution of HK\$45 million.
2. When the Seller transfers its 50% shares of the Target Company to the Company, it should have obtained the consent letters from other shareholders to waive their rights of first refusal, and have made a legal and effective resolution in accordance with the articles of association of the Target Company.

The Seller's undertakings

1. The Seller guarantees that it has the full and effective right to dispose of the shares it will transfer to the Company, and guarantees that the shares are not pledged and are free from claims by third parties. Otherwise, the Seller shall bear all the economic and legal liabilities arising therefrom.
2. The Seller guarantees that the Target Company's situation has been fully disclosed before the transfer of shares. The Target Company has no business activities, has not signed any actual agreements, and has not incurred any income, costs, and expenses. The assets, liabilities, and contingent liabilities at the time of transfer are all zero, and there is no debt or outstanding dispute, otherwise all economic losses caused to the Company shall be borne by the Seller.
3. The Seller undertakes to cooperate with the Company to complete the industrial and commercial administrative change of the Target Company and other related procedures.

3. Shareholders' Agreement

Registered capital and capital contribution methods

The current registered capital of the Target Company is US\$30 million. The Company, the Seller, YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL agreed that, after entering into the Shareholders' Agreement, the reduction of the registered capital of the Target Company to HK\$60 million which shall be approved by the government's market supervision and management registration authority is the condition precedent for the Shareholders' Agreement to take effect and for the shareholders to further proceed with the industrial and commercial administrative changes.

After the fulfillment of the conditions precedent of the Shareholders' Agreement, the Company, the Seller, YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL will pay for the subscription of the capital contribution of the shares held by each party in cash. The payment deadline is subject to the duration of the Target Company. The taxes and fees arising from the acquisition and transfer of shares shall be borne by each party to the Shareholders' Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other shareholders of the Target Company and their ultimate beneficial owners are Independent Third Parties of the Company and its connected persons.

Board composition

The Target Company has a board of directors consisting of 7 directors, among which the Company shall appoint 4 directors, the director appointed by the Company will serve as the chairman of the board of directors, and the chairman is the legal representative of the Target Company. The Seller, YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL each shall appoint one director. The Company, the Seller, YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL have the right to determine the terms of office of the directors appointed by them.

4. Information about the Target Company

The Target Company is a joint stock limited company established in the PRC on 1 April 2020 (invested by Hong Kong, Macau and Taiwan), with a current registered capital of US\$30 million and a total issued share of 30 million shares. The Target Company will be mainly engaged in the development, integration, sales, operation, service and other related businesses of complete sets of equipment and technology for solid waste environmental protection projects and new energy projects.

The Target Company does not have any operating activities, and its financial information is all HK\$0.

5. Reasons for and benefits of the Acquisition

The Company believes that the environmental protection industry will still be one of the main industries actively encouraged and supported by the PRC government in the future. In recent years, the environmental protection industry has been expanding in scale, improving standards, extending the coverage, and the market demand is strong. In addition to the traditional water affairs field, the field of solid waste resource utilization particularly shows greater development potential. The shareholders of the Target Company have been committed to the research and technical reserves of the environmental protection and solid waste industry. They have a deep understanding of the industry's development and business model, and they also have more market resources to support. The acquisition of the Target Company will promote the Company to seize more opportunities in the environmental protection market, develop the environmental protection and solid waste business, and expand the Company's principal business scale.

In view of the above, the Board considers that the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

6. Listing Rules Implications

The Company shall subscribe for HK\$30 million of the Target Company's registered capital during the Target Company's existence, and one or more applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) calculated in accordance with the transaction consideration and the capital contribution to be subscribed by the Company as the total consideration for the Acquisition exceed 5%, but are less than 25%. Therefore, the Acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

7. General information

The principal business of the Company is investment holding. The principal business of the Group is environmental protection related business, including machinery and equipment trading, environmental protection technology, equipment system integration, urban wastewater treatment and environmental project technical services.

The Seller is a joint stock limited company incorporated in Hong Kong, mainly engaged in environmental protection technology, international trade, investing consulting and other businesses. The Seller is wholly owned by Wu Yan.

As the effectiveness of the Share Transfer Agreement is subject to the fulfillment of the conditions precedent set out thereon, the Acquisition may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Definitions

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

“Acquisition”	The acquisition of the 50% equity interests of the Target Company by the Company according to the Share Transfer Agreement.
“Share Transfer Agreement”	The “Equity Transfer Agreement” entered into by the Company and the Seller on 7 May 2023
“Shareholders’ Agreement”	The “Shareholders’ Agreement” entered into by the Company, the Seller, YU MING ENVIRONMENTAL and YANHUA ENVIRONMENTAL on 7 May 2023.
“Company”	China Environmental Technology Holdings Limited, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00646).
“Group”	the Company and its subsidiaries.
“Board”	board of Directors.
“Director(s)”	director(s) of the Company.
“Seller”	HK JIAHUA SCIENCE & TECHNOLOGY INVESTMENT LIMITED, a joint stock limited company incorporated in Hong Kong in 2019.
“YU MING ENVIRONMENTAL”	HK YU MING ENVIRONMENTAL INVESTMENT LIMITED, a joint stock limited company incorporated in Hong Kong in 2019.
“YANHUA ENVIRONMENTAL”	HONG KONG YANHUA ENVIRONMENTAL TECHNOLOGY LIMITED, a joint stock limited company incorporated in Hong Kong in 2023.
“SANHE TECHNOLOGY”	HK SANHE TECHNOLOGY INVESTMENT LIMITED, a joint stock limited company incorporated in Hong Kong in 2019.
“Target Company”	Zhong-Gang Environmental Technology (Guangzhou) Co., Ltd (中港環保科技(廣州)股份有限公司), a joint stock limited company established in mainland, PRC on 1 April 2020 (invested by Hong Kong, Macau and Taiwan).
“Independent Third Party”	third parties independent of and not connected with the Company and any of its connected persons (as defined in the Listing Rules).

"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong.
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC.
"PRC"	the People's Republic of China.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange.
"%"	per cents.

By Order of the Board
**CHINA ENVIRONMENTAL
 TECHNOLOGY HOLDINGS LIMITED**
Xu Jingping
Chairman

Hong Kong, 7 May 2023

As at the date of this announcement, the executive Directors are Mr. Xu Jingping, Mr. Xu Zhongping and Mr. Yang Baodong; 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.