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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 AND SETTLEMENT
AGREEMENT – ISSUE OF SHARES UNDER
GENERAL MANDATE**

SUBSCRIPTION AND SETTLEMENT AGREEMENT

On 21 May 2023, the Company entered into the Subscription and Settlement Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agrees to subscribe for 4,200,000 Subscription Shares at the Issue Price of HK\$0.6075 per Subscription Share.

The Subscriber shall pay the subscription price at completion by setting off against the Payables to be Settled due by the Group to the Subscriber and the Company shall allot and issue the Subscription Shares to Subscriber as full and final settlement of the Payables to be Settled of the Group.

The Issue Price of HK\$0.6075 per Subscription Share represents:

i. a premium of approximately 14.62% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the date of the Subscription and Settlement Agreement; and

ii. a premium of approximately 14.62% to the average closing price of approximately HK\$0.53 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription and Settlement Agreement.

The aggregate gross proceeds of the Subscription will be approximately HK\$2.55 million. The aggregate net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$2.52 million, representing a net issue price of approximately HK\$0.600 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.

The Subscription Shares, which shall rank pari passu in all respect with the existing Shares, will be allotted and issued under the General Mandate. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription 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, no further shareholders’ approval is required for the allotment and issue of the Subscription Shares.

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

SUBSCRIPTION AND SETTLEMENT AGREEMENT

On 21 May 2023, the Company entered into a Subscription and Settlement Agreement with the Subscriber, pursuant to which the Company conditionally agrees to issue and the Subscriber conditionally agree to subscribe for 4,200,000 Subscription Shares at the Issue Price of HK\$0.6075 per Subscription Share.

The Details of Amount Owning to the Subscriber

Since 2019, the Subscriber and his wholly owned CPA firm have been providing various professional and advisory services to the Company. As at the date of the Subscription and Settlement Agreement, the Group owns outstanding professional fees of certain amount to the Subscriber and his CPA firm.

Considering the Group's operating expenditures and the expected cash level to be maintained in the foreseeable future, and in order to reduce the Group's burden of cash payments in near future, upon arm's length negotiation, the Company and the Subscriber agreed that the amount owing to the Subscriber of HK\$2,551,500 (hereinafter known as "Payables to be Settled"), shall be settled by the Subscription Shares.

The Subscriber shall pay his subscription money at the completion of the Subscriptions by setting off against the Payables to be Settled owing by the Group and the Company shall allot and issue the Subscription Shares to Subscriber as full and final settlement of the Payables to be Settled. Upon completion of the Subscriptions, and the allotment and issue of the Subscription Shares, the repayment obligations of the Company in relation to the amount of Payables to be Settled shall be fully discharged. The Subscriber agrees to waive all its rights absolutely against the Group for any claim whatsoever in relation to the Payables to be Settled.

The principal terms of the Subscription and Settlement Agreement:

Date:	21 May 2023
Parties:	(i) the Company as issuer (ii) the Subscriber as subscriber
Subscription Shares:	4,200,000 Shares
Issue price:	HK\$0.6075 each
Consideration payable:	HK\$2,551,500

Information of the Subscriber

The Subscriber is a CPA providing various management and consultancy services to the Group since 2019 and the amount owing to the Subscriber related to unpaid professional services.

To the best of the knowledge, information and belief of the Directors having made all reasonable inquiries, as at the date of this announcement, the Subscriber is an Independent Third Party to the Company.

Subscription Shares

The 4,200,000 Subscription Shares represent (i) approximately 1.92% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.88% of the issued share capital of the Company as enlarged by the allotment and issue of all the Subscription Shares.

The total consideration of the Subscription Shares is HK\$2,551,500.

Issue Price

The Issue Price of HK\$0.6075 per Subscription Share represents: (i) a premium of approximately 14.62% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the date of the Subscription and Settlement Agreement; and (ii) a premium of approximately 14.62% to the average closing price of approximately HK\$0.53 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription and Settlement Agreement.

The Issue Price was arrived after arm's length negotiation between the Company and the Subscriber with reference to the market condition, the prevailing market price and the par value of the Shares. The Directors consider that the Issue Price and the terms of the Subscription and Settlement Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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 9.59% upon the allotment and issue of all the Subscription Shares. Completion of the Subscription is conditional upon 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). If the condition as set out in the above is not fulfilled on or before 30 May 2023, the obligations and liabilities of Subscriber and the Company under the Subscription and Settlement 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

The Subscription and Settlement Agreement shall complete within three (3) Business Days after the day on which the conditions set out above are fulfilled (or such other date as may be agreed between the parties to the respective Subscription and Settlement Agreement in writing).

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

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	22.72	50,725,000	15.26
	Beneficial owner	2,204,921	1.01	2,204,921	0.99	2,204,921	0.66
	Interest held by a wholly owned corporation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,880,000</u>	<u>10.80</u>
		52,929,921	24.17	52,929,921	23.71	88,809,921	26.72
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	0.18	400,000	0.12
Zhang Zihong	Beneficial owner	33,980,000	15.51	33,980,000	15.22	88,580,000	26.65
The Subscriber	Beneficial owner	-	-	4,200,000	1.88	4,200,000	1.26
Public		<u>131,668,417</u>	<u>60.12</u>	<u>131,668,417</u>	<u>58.99</u>	<u>150,388,417</u>	<u>45.24</u>
		<u>219,017,938</u>	<u>100.00</u>	<u>223,217,938</u>	<u>100.00</u>	<u>332,417,938</u>	<u>100.00</u>

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

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Subscription and Settlement Agreement in effect allows the Company to settle this overdue amount without deploying its cash reserves and to provide more flexibility to the Company's working capital management. The Subscription and Settlement Agreement was arrived at after arm's length negotiations between the Company and the Subscriber. The Directors are of the view that the settlement of the Payables to be Settled by way of Subscriptions would not result in significant cash outflow of the Company while reducing the indebtedness of the Company. Accordingly, the Directors consider the terms of the Subscription and Settlement Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The aggregate gross proceeds of the Subscription will be approximately HK\$2.55 million. The aggregate net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$2.52 million, representing a net issue price of approximately HK\$0.600 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.

DEFINITION

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

<i>"AGM"</i>	the annual general meeting of the Company held on 31 May 2022
<i>"Board"</i>	the Board of the Directors
<i>"Business Day(s)"</i>	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
<i>"Company"</i>	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
<i>"connected person(s)"</i>	has the meaning ascribed to this term under the Listing Rules
<i>"Convertible Bonds"</i>	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

<i>“CPA”</i>	Certified Public Accountant
<i>“Director(s)”</i>	director(s) of the Company
<i>“General Mandate”</i>	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
<i>“Group”</i>	the Company and its subsidiaries (from time to time)
<i>“HK\$”</i>	Hong Kong dollar(s), the lawful currency of Hong Kong
<i>“Hong Kong”</i>	Hong Kong Special Administrative Region of the People’s Republic of China
<i>“Independent Third Party(ies)”</i>	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
<i>“Issue Price”</i>	HK\$0.6075 per Subscription Shares
<i>“Listing Rules”</i>	the Rules Governing the Listing of Securities on the Stock Exchange
<i>“Payables to be Settled”</i>	HK\$2,551,500, the outstanding professional fees owed by the Group to the Subscriber as at the date of the Subscription and Settlement Agreement
<i>“Share(s)”</i>	ordinary share(s) of HK\$0.5 each in the share capital of the Company
<i>“Shareholder(s)”</i>	holder(s) of the Share(s)
<i>“Stock Exchange”</i>	the Stock Exchange of Hong Kong Limited
<i>“Subscriber”</i>	Mr. Wong Yu Shan Eugene, an Independent Third Party and a CPA providing various management and consultancy services to the Group since 2019.
<i>“Subscription and Settlement Agreement”</i>	the conditional subscription and settlement agreement dated 21 May 2023 and entered into between the Company and Subscriber in relation to the Subscription

“Subscription Shares”	4,200,000 new Shares to be subscribed by Subscriber pursuant to the Subscription and Settlement Agreements
“Subscription”	the issuance of the Subscription Shares
“subsidiary(ies)”	subsidiary(ies) of the Company
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent

Completion of the Subscriptions is subject to the fulfillment of the conditions precedent under the Subscription and Settlement 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 Jingping
Chairman

Hong Kong, 21 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.