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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 27 August 2016, the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 444,448,000 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share.

The Subscription Shares represent approximately 17.78% of the existing issued share capital of the Company as at the date of this announcement and approximately 15.09% 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\$0.18 per Subscription Share represents (i) a discount of approximately 18.18% to the closing price of HK\$0.22 per Share as quoted on the Stock Exchange on 26 August 2016, being the last full trading day for the Shares before the date of the Subscription Agreement; and (ii) a discount of approximately 15.01% to the average closing price of approximately HK\$0.2118 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 26 August 2016, being the trading day immediately preceding the date of the Subscription Agreement.

The aggregate gross proceeds of the Subscription will be approximately HK\$80 million. The aggregate net proceeds of the Subscription, after the deduction of the related expenses, will be approximately HK\$79.8 million, representing a net issue price of approximately HK\$0.18 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.

Since completion of each of the Subscription is subject to the fulfilment of the condition(s) as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

On 27 August 2016, the Company entered into the Subscription Agreement with the Subscribers, pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 444,448,000 Subscription Shares at the Subscription Price of HK\$0.18 per Subscription Share.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date : 27 August 2016

Issuer : The Company

Subscribers : The six Subscribers, being individuals and corporations.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscribers and their ultimate beneficial owners (if any) are third parties independent of the Company and its connected persons. It is expected that none of the Subscribers will become a substantial Shareholder (as defined in the Listing Rules) of the Company immediately upon Completion. Based on the information provided by the Subscribers, their principal activities, for Subscribers which are corporations, are investment holdings respectively.

The Subscription Shares

The Subscribers have agreed to subscribe for, and the Company has agreed to allot and issue, a total of 444,448,000 Subscription Shares represent approximately 17.78% of the existing issued share capital of the Company as at the date of this announcement and approximately 15.09% 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\$0.18 per Subscription Share. The aggregate nominal value of the 444,448,000 Subscription Shares is HK\$11,111,200.

The Subscription Price represents:

- (i) A discount of approximately 18.18% to the closing price of HK\$0.22 per Share as quoted on the Stock Exchange on 26 August 2016, being the last full trading day for the Shares before the date of the Subscription Agreement; and
- (ii) a discount of approximately 15.01% to the average closing price of approximately HK\$0.2118 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 26 August 2016, 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\$0.18 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers 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\$80,000,640 will be payable by the Subscribers (in the proportion to the number of Subscription Shares allocated to them) on the Completion Date.

Ranking of Subscription Shares

The Subscription Shares, when fully paid and allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Conditions Precedent for the Subscription

Completion of the Subscription is conditional in all respects upon:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares;
- (b) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Completion;
- (c) there being no indication being received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after Completion, whether in connection with any of the transactions contemplated by the Subscription Agreement or otherwise;
- (d) having obtained all necessary consents and approvals as may be required to be obtained on the part of the Company in respect of the Subscription and the transactions contemplated under the Subscription Agreement by the Company;
- (e) having obtained all necessary consents and approvals as may be required to be obtained on the part of the Subscribers in respect of the Subscription and the transactions contemplated under the Subscription Agreement by the Subscribers;
- (f) the Subscribers being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational, assets or other aspects that the Subscribers consider relevant) on the Group and its potential project(s); and
- (g) the warranties and representations as set out in the Subscription Agreement remaining true and accurate in all material respects.

The Subscribers may, at their sole discretion, at any time by notice in writing to the Company waive the above Conditions (d), (f) and (g). The Conditions (a), (b) and (c) above are incapable of being waived by the Company or the Subscribers. In the event that any of the Conditions not being fulfilled or waived in full by the Long Stop Date (or such other time and date as may be agreed between the Company and the Subscribers in writing) the Subscription Agreement shall cease and terminate (save and except in accordance with the terms of the Subscription Agreement) and thereafter, neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the provisions hereof. If the Conditions are not fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse, whereupon all rights and obligations of the Parties shall cease to have effect except in respect of any accrued rights and obligations of the Parties.

Completion of the Subscription

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

The Company and the Subscribers shall not be obliged to complete the subscription of any of the Subscription Shares unless the subscription of all the Subscription Shares are completed simultaneously.

The allotment and issue of the Subscription Shares is not subject to any further Shareholders' approval.

Others

The Subscribers are allowed to transfer any Subscription Share immediately after the issuance of the Subscription Shares to the Subscribers.

General Mandate

The Subscription Shares will be issued under the General Mandate. As at the date of this announcement, no Shares have been issued by the Company under the General Mandate, thus the maximum number of new Shares which could be issued by the Company under the General Mandate is 500,060,552 Shares (not exceeding 20% of the aggregate nominal amount of the total issued share capital of the Company of 2,500,302,761 Shares as at the date of the Annual General Meeting on 20 May 2016). As such, no Shareholders' approval is required for the allotment and issue of the Subscription Shares.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fund-raising activity in the 12 months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION

	As at the date of this announcement		Immediately after the Completion (assuming that there will not be any change in the issued share capital of the Company from the date of this announcement to the Completion Date)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Directors				
Xu Zhong Ping (<i>Note</i>)	1,264,098,431	50.56	1,264,098,431	42.93
Xu Xiao Yang	20,000,000	0.80	20,000,000	0.68
Substantial Shareholder				
Gentle International Holdings Limited (<i>Note</i>)	1,200,000,000	47.99	1,200,000,000	40.75
Public				
The Subscribers	–	–	444,448,000	15.09
Other public Shareholders	<u>1,216,204,330</u>	<u>48.64</u>	<u>1,216,204,330</u>	<u>41.30</u>
	<u><u>2,500,302,761</u></u>	<u><u>100.00</u></u>	<u><u>2,944,750,761</u></u>	<u><u>100.00</u></u>

Note: Classy Jade Limited owns 60% of the issued share capital of Gentle International Holdings Limited and Mr. Xu Zhong Ping is the sole shareholder of Classy Jade Limited.

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, equipments 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\$80 million and the aggregate net proceeds of the Subscription, after the deduction of the related expenses, are estimated to be approximately HK\$79.8 million, representing a net issue price of approximately HK\$0.18 per Subscription Share. The Company intends to use the net proceeds from the Subscription for its general working capital and future potential acquisition(s).

Since completion of the Subscription is subject to the fulfilment of the Conditions as set out in the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company held on 20 May 2016
“associate(s)”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which banks are generally open for business in Hong Kong (excluding Saturdays, Sundays and public holidays)
“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 (中國環保科技控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 646)
“Completion”	completion of the Subscription pursuant to the Subscription Agreement

“Completion Date”	means the third Business Day following the day 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, or at such date as may be agreed by the Subscribers and the Company
“Conditions”	the conditions precedent for the Completion as set out in the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Annual General Meeting on 20 May 2016 to issue and allot up to 500,060,552 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the Annual General Meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 October 2016 (or such later date as the Company and the Subscribers may agree)
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the six subscribers to subscribe the Subscription Shares under the Subscription Agreement and are third parties independent of the Company and its connected persons
“Subscription”	the subscription by the Subscribers 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 Subscribers dated 27 August 2016 in relation to the Subscription
“Subscription Price”	HK\$0.18 per Subscription Share
“Subscription Share”	444,448,000 new Shares to be issued and allotted by the Company to the Subscribers, representing approximately 17.78% of the entire issued share capital of the Company and 15.09% of the enlarged issued share capital of the Company immediately after Completion
“%”	per cent.

By order of the Board
China Environmental Technology Holdings Limited
Li Wang Hing, Nelson
Company Secretary

Hong Kong, 28 August 2016

As at the date of this announcement, the executive Directors are Mr. Xu Zhong Ping, Mr. Pan Yutang, Mr. Zhang Fang Hong and Mr. Xu Xiao Yang; the non-executive Director are Mr. Cao Guoxian and Mr. Ma Tianfu; and the independent non-executive Directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.