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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)

PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 29 March 2016 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue and the Subscriber has agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$65,000,000.

Completion is subject to the fulfillment or waiver of the Conditions Precedent set out in the Subscription Agreement. Detailed terms of the Subscription Agreement and the Convertible Bonds are set out in the paragraphs headed “Principal terms of the Subscription Agreement” and “Principal terms of the Convertible Bonds”, respectively below.

As at the date of this announcement, the Company has a total of 2,500,302,761 Shares in issue. Assuming there is no further issue or repurchase of the Shares, based on the initial Conversion Price of HK\$0.13 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 500,000,000 Conversion Shares, representing approximately 19.99% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.66% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued pursuant to the General Mandate.

No listing of the Convertible Bonds will be sought on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee for the listing of, and permission to deal in the Conversion Shares.

The estimated net proceeds from the issue of the Convertible Bonds, after deduction of expenses payable in connection with the issue of the Convertible Bonds, are expected to be approximately HK\$64,800,000. The Company intends to use the net proceeds from the issue of the Convertible Bonds as general working capital to strengthen the financial position of the Group and for potential acquisition when such investment opportunity arises.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the Conditions Precedent. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

ISSUE OF THE CONVERTIBLE BONDS

On 29 March 2016 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which, on the terms and subject to the conditions therein, the Company has agreed to issue and the Subscriber has agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$65,000,000. Details of the Subscription Agreement and the terms of the Convertible Bonds are described below.

THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement:

- Date : 29 March 2016 (after trading hours)
- Parties : (1) the Company as issuer;
- (2) the Subscriber as subscriber. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.
- Subscription : Subject to the fulfilment of the Conditions Precedent set out below, the Subscriber shall subscribe for, and the Company shall issue, the Convertible Bonds in the aggregate principal amount of HK\$65,000,000 and the said amount shall be satisfied in cash.
- Conditions Precedent : Completion is conditional upon:
- (a) all necessary consents and approvals in relation to the Subscription Agreement having been obtained by the Company and the Subscriber, and the Company and the Subscriber having complied with the relevant laws and rules (including but not limited to the Listing Rules and the relevant laws of Hong Kong), and such consents and approvals remaining valid up to the Completion Date and there having been no rules or regulations imposed by the relevant authorities to forbid or seriously delay the performance and completion of the Subscription Agreement;
- (b) the warranties under the Subscription Agreement remaining true, accurate and correct in all material respects;

- (c) all issued Shares remaining listed on, and not having been withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to such listing and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objection;
- (d) the listing of, and permission to deal in, all of the Conversion Shares upon conversion of the Convertible Bonds having been granted by the Listing Committee (either unconditionally or if subject to conditions, such conditions being reasonably acceptable to the Subscriber and if required by the Stock Exchange for it to be fulfilled before Completion, such conditions being fulfilled or satisfied before Completion) and such listing and permission remaining in full force and effect and not subsequently being revoked;
- (e) there being no event existing or having occurred and no condition being in existence which would (had any Convertible Bonds already been issued) constitute an Event of Default; and
- (f) there being no injunction, restraining order or order of similar nature by any competent authority issued as of the Completion Date that could prevent or materially interfere with the consummation of the transactions contemplated under the Subscription Agreement.

In the event that the above Conditions Precedent cannot be fulfilled or waived on or before 30 April 2016 and Completion has not taken place by then, the Subscription Agreement shall lapse (save for the provisions relating to interpretation, termination, announcement, limitation of liabilities, confidentiality, notices, general provisions and governing law and jurisdiction) and become null and void and of no effect and no party thereof shall have any claim against the other party under the Subscription Agreement.

Completion : Completion of the subscription of the Convertible Bonds shall take place at such place and time to be agreed between the Company and the Subscriber upon the fulfillment or waiver of the Conditions Precedent.

Termination : The Subscriber may, without liability to the Company, elect not to proceed to Completion by giving notice in writing to the Company at any time prior to 5:00 p.m. (Hong Kong time) on the Completion Date if an event or circumstance that carries a Material Adverse Effect occurs prior to Completion.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal terms of the Convertible Bonds:

Issuer : The Company

Principal amount : HK\$65,000,000

Form and denomination of the Convertible Bonds : The Convertible Bonds will be issued only in fully registered form in the denomination of HK\$650,000 each and integral multiples thereof

Maturity date : Twenty-four (24) months from the Issue Date

Issue price : 100% of the principal amount of the Convertible Bonds

Interest : The Convertible Bonds bear an interest rate of 2% per annum from and including the Issue Date to the Maturity Date payable in cash every twelve months from the Issue Date.

Conversion : Subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) has/have the right to convert the whole or part of the principal amount of the Convertible Bonds of HK\$65,000,000 into duly authorised, validly issued, fully paid and unencumbered Conversion Shares credited as fully paid at any time during the Conversion Period at the Conversion Price. The number of Conversion Shares to which the Bondholder(s) is/are entitled on conversion of the Convertible Bonds shall be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price.

- Number of Conversion Shares to be issued : Assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 500,000,000 Conversion Shares, representing approximately 19.99% of the issued share capital of the Company as at the date of this announcement and approximately 16.66% of the issued share capital of the Company as enlarged by the issue of 500,000,000 Conversion Shares.
- Conversion Period : Each Convertible Bond shall entitle the Bondholder(s) to convert such Convertible Bonds (in whole or in part) into Conversion Shares at any time during the period from the Issue Date up to the day falling fourteen (14) days prior to the Maturity Date.
- Conversion Price : Initially HK\$0.13 per Conversion Share, which was determined after arm's length negotiations between the Company and the Subscriber with reference, among other things, the prevailing market price of the Shares on the Stock Exchange.

The initial Conversion Price of HK\$0.13 represents:

- (a) a discount of approximately 7.80% to the closing price of HK\$0.141 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 13.67% to the average closing price of HK\$0.151 per Share as quoted on the Stock Exchange for the five Trading Days of the Shares immediately prior to the Last Trading Day; and
- (c) a discount of approximately 14.58% to the average closing price of HK\$0.152 per Share as quoted on the Stock Exchange for the ten Trading Days of the Shares immediately prior to the Last Trading Day.

Assuming conversion of the Convertible Bonds into the Conversion Shares in full and after deducting the costs and expenses incurred in connection with the issue of the Convertible Bonds, it is estimated that the net proceeds from the issue of the Convertible Bonds is approximately HK\$64,800,000, representing a net issue price of approximately HK\$0.13 per Conversion Share.

- Adjustment of the Conversion Price : The Conversion Price is subject to adjustment in accordance with the terms and conditions of the Convertible Bonds including, among others:
- (a) stock split, consolidation or reclassification of the Shares;
 - (b) capital distribution;
 - (c) grant, issue or offer to the Shareholders Shares or options, warrants or other rights entitling them to subscribe for or purchase any Shares at less than 95% of the then current market price of the Shares (other than options granted pursuant to a share option scheme already in force before the date of the Subscription Agreement);
 - (d) grant, issue or offer to the Shareholders any securities or, options or warrants or other rights entitling them to subscribe for or purchase or otherwise acquire any securities (other than Shares or option and any securities convertible and exchangeable into Shares, warrants or other rights to subscribe for or purchase Shares);

- (e) grant, issue or offer any Shares or options, warrants or other rights entitling them to subscribe for or purchase any Shares or securities convertible into or exchangeable into Shares at less than 95% of the then current market price of the Shares for cash or non-cash consideration (other than Shares issued on the exercise of Conversion Right or the exercise of share option scheme already in force before the date of the Subscription Agreement or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares); and
- (f) issue any securities convertible into Shares (other than the Convertible Bonds) which carry rights of conversion into, or exchange or subscription for Shares by the Company or other person or entity at a consideration per Share which is less than 95% of the then current market price of the Shares.

- Ranking of the Bonds : The Convertible Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and rateably without any preference or priority among themselves, and with other direct, unconditional, unsubordinated and unsecured obligations of the Company.
- Ranking of the Conversion Shares : The Conversion Shares to be issued upon conversion of the Convertible Bonds shall be credited as fully paid, unencumbered, and shall rank pari passu and carry the same rights and privileges in full respects as any other Shares.
- Purchase : The Company and/or any of its subsidiaries may at any time purchase the Convertible Bonds at any price as agreed between the Company (or its relevant subsidiary) and the relevant Bondholder(s).

- Cancellation : All Convertible Bonds which are redeemed, converted or purchased by the Company or any of its subsidiaries, will forthwith be cancelled.
- Redemption : (a) Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the Convertible Bonds, the Company shall be entitled to redeem, in whole or in part, the Convertible Bonds together with accrued interest that the Bondholder(s) would be entitled to under the terms and conditions of the Convertible Bonds after one year from the Issue Date.
- (b) On the occurrence of any one or more of the Event(s) of Default, the principal amount of the Convertible Bonds and accrued interest shall upon issuing a written notice to the Company by the Bondholder(s) at their sole discretion become due and payable in cash.
- Transferability : Subject to the terms and conditions of the Convertible Bonds, there are no restrictions on the transfer of the Convertible Bonds.
- Listing : No application will be made for the listing of the Convertible Bonds. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

ADJUSTMENT OF THE CONVERSION PRICE

While there may be change in the number of Conversion Shares if any of the adjustment events set out under sub-paragraph headed “Adjustment of the Conversion Price” above is triggered, the Company will try to ensure that the number of Conversion Shares would not exceed the number allowed under the General Mandate upon occurrence of the adjustment events.

The Directors are aware that the General Mandate will be fully utilised to its maximum limit upon Completion. In such events, the General Mandate may be insufficient to satisfy any issuance of additional Conversion Shares (if any) as a result of any adjustment in the number of Conversion Shares arising from any of the adjustment events in accordance with the terms and conditions of the Convertible Bonds. As such, the Company confirms and undertakes that it will not take corporate actions that would result in the number of Conversion Shares exceeding the mandate limit.

GENERAL MANDATE

By a resolution of the Shareholders passed at the annual general meeting of the Company held on 27 May 2015, the Company granted the General Mandate to the Directors to allot and issue not more than 500,060,552 Shares. As at the date of this announcement, the Company is entitled to issue up to 500,060,552 Shares under the General Mandate. The Conversion Shares will be allotted and issued under the General Mandate and no Shareholders' approval is therefore required.

APPLICATION FOR LISTING

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

REASONS FOR ISSUING THE CONVERTIBLE BONDS

The Board has considered various ways of raising funds to develop the businesses of the Group and considers that the issuance of the Convertible Bonds represents a suitable opportunity to raise funds having considered the recent market conditions which represent an opportunity for the Company to enhance its working capital, strengthen its capital base and financial position and broaden the shareholders' base.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The estimated net proceeds from the issue of the Convertible Bonds, after deduction of expenses payable in connection with the issue of the Convertible Bonds, are expected to be approximately HK\$64,800,000. The Company intends to use the net proceeds from the issue of the Convertible Bonds as general working capital to strengthen the financial position of the Group and for potential acquisition when such investment opportunity arises.

INFORMATION ON THE COMPANY AND THE SUBSCRIBER

Information on the Company

The Company is an investment holding company. The principal activities of the Group is environmental protection including the provision of technology, products, equipment and system integration related to wastewater treatment.

Information on the Subscriber

The Subscriber is a limited liability company incorporated in the British Virgin Islands and whose principal business is investments holding.

CAPITAL RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

There were no fund raising activities of the Company by way of issue of equity securities in the past 12 months prior to the date of this announcement.

CHANGE IN SHAREHOLDING STRUCTURE

Assuming there is no change in the share capital of the Company from the date of this announcement up to Completion, the shareholding structure of the Company (a) as at the date of this announcement and (b) as a result of full conversion of the Convertible Bonds at the initial Conversion Price are as follows:

Name of Shareholder	As at the date of this announcement		Assuming the Convertible Bonds are fully converted into Conversion Shares at the initial Conversion Price	
	Shares	%	Shares	%
Shareholders				
Gentle <i>(Note)</i>	1,200,000,000	47.99	1,200,000,000	40.00
Subscriber	–	–	500,000,000	16.66
Public Shareholders	<u>1,300,302,761</u>	<u>52.01</u>	<u>1,300,302,761</u>	<u>43.34</u>
	<u>2,500,302,761</u>	<u>100</u>	<u>3,000,302,761</u>	<u>100</u>

Note:

Gentle is owned as to 60% by Classy Jade Limited, a company which is wholly owned by Mr. Xu.

PUBLIC FLOAT

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the Listing Rules from time to time. The Company's public float will not fall below the minimum prescribed percentage under the Listing Rules upon the conversion of the Convertible Bonds.

GENERAL

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the Conditions Precedent. Accordingly, the issue of the Convertible Bonds may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	means the board of Directors
“Bondholder(s)”	means holder(s) of the Convertible Bonds from time to time
“Business Day(s)”	means a day (excluding Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Certificate”	means the certificate, substantially in the form set out in the Subscription Agreement, to be issued in respect of the Convertible Bonds, together with the Conditions
“Company”	means China Environmental Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 646)
“Completion”	means completion of the transactions contemplated under the Subscription Agreement
“Completion Date”	means the date on which Completion takes place, which shall be in any event no later than 30 April 2016

“Conditions”	means the terms and conditions to the Convertible Bonds to be attached to the Certificate substantially in the form set out in the Subscription Agreement
“Conditions Precedent”	means the conditions precedent to the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	means any time from the Issue Date up to the day falling fourteen (14) days prior to the Maturity Date
“Conversion Price”	means HK\$0.13 per Conversion Share or the amount as adjusted according to the terms and conditions of the Convertible Bonds
“Conversion Right”	means the right of each Bondholder to convert any Convertible Bonds held by it into Conversion Shares
“Conversion Shares(s)”	means the Share(s) falling to be allotted and issued upon the exercise of the Conversion Right
“Convertible Bonds”	means the convertible bonds in the aggregate principal amount of HK\$65,000,000 to be issued by the Company pursuant to the Subscription Agreement
“Director(s)”	means the director(s) of the Company
“Event(s) of Default”	means the event(s) of default of the Convertible Bonds as stipulated under the Conditions
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 27 May 2015 to allot and issue and deal with up to 500,060,552 Shares, representing 20% of the issued share capital of the Company as at the date of such annual general meeting

“Gentle”	means Gentle International Holdings Limited, the Controlling Shareholder of the Company
“Group”	means the Company and its subsidiaries
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	means party(ies) who is/are independent of and not connected with the Company and its connected persons
“Issue Date”	means the date of issue of the Convertible Bonds
“Last Trading Day”	means 29 March 2016, being the last full trading day immediately preceding the date of this announcement
“Listing Committee”	means the listing committee of the Stock Exchange
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Effect”	means an event or circumstance, occurrence or any combination thereof arising or occurring, the effect of which is reasonably likely to have a material adverse effect on the business, operations, assets, liabilities (including contingent liabilities), business or financial condition, results or prospects of the Group as a whole, or the ability of the Company to perform its obligations under the Subscription Agreement, provided that (a) any change that generally affects the industries or markets in which the Group operates, (b) any change in the financial markets or general economic or political conditions, (c) any change in law or any accounting principle applicable to the Group shall not be taken as a Material Adverse Effect
“Maturity Date”	means twenty-four (24) months from the Issue Date

“Mr. Xu”	means Mr. Xu Zhong Ping, the Controlling Shareholder of the Company
“PRC”	means the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“Shareholder(s)”	means holder(s) of the Shares
“Share(s)”	means ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Subscriber”	means Radiant Assets Management Limited and whose information is more particularly described in the paragraph headed “Information on the Subscriber” in this announcement
“Subscription Agreement”	means the subscription agreement dated 29 March 2016 entered into between the Company and the Subscriber in relation to the subscription and issue of the Convertible Bonds
“Trading Day”	means a day when the Stock Exchange is open for trading in Hong Kong and “Trading Days” shall be construed accordingly
“%”	means per cent.

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

Hong Kong, 29 March 2016

As at the date of this announcement, the executive Directors are Mr. Xu Zhong Ping, Mr. Zhang Fang Hong, Mr. Pan Yutang and Mr. Xu Xiao Yang; the non-executive Directors 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 Zuo Jiane.