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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)

PLACING OF NEW SHARES UNDER THE GENERAL MANDATE

Placing Agent



On 21 November 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place as the Company's placing agent on a best effort basis the Placing Shares up to 444,448,000 new Shares at the Placing Price of HK\$0.18 per Placing Share.

The Placing Shares represent approximately 17.78% of the existing total number of issued shares of the Company as at the date of this announcement, and approximately 15.09% of the total number of issued shares of the Company as enlarged by the allotment and issue of the Placing Shares in full.

The maximum gross proceeds of the Placing will amount to HK\$80 million. The maximum net proceeds from the Placing, after deduction of the Placing commission and other related expenses, are estimated to be approximately HK\$79 million.

The net proceeds of the Placing are intended to be used as general working capital for existing business and for development of new business if opportunities arise.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement.

As the Placing may or may not proceed, shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

The Board is pleased to announce that on 21 November 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place as the Company's placing agent on a best effort basis the Placing Shares up to 444,448,000 new Shares at the Placing Price of HK\$0.18 per Placing Share.

THE PLACING AGREEMENT

The principal terms and conditions of the Placing Agreement are as follows:

Date

21 November 2016 (after trading hours)

Issuer

The Company

Placing Agent and Fees

Prime Securities Limited, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and whose ultimate beneficial owners are not connected with the Company and its connected persons.

The Placing Agent will charge the Company a placing commission of 1.00% of the aggregate Placing Price for the Placing Shares actually placed by the Placing Agent. The Placing commission was negotiated on an arm's length basis between the Company and the Placing Agent, and determined with reference to, amongst other things, the market rate and the price performance of the Shares.

Placees

Pursuant to the Placing Agreement, the Placing Agent will procure the Placing Shares to be placed to not less than six Placees, who/which will be individuals, corporate, institutional investors and other investors. The Placing Agent will also use its reasonable endeavours to ensure that the Placees and their respective ultimate beneficial owners will be Independent Third Parties, and that none of the Placees will, immediately upon completion of the Placing, become a substantial Shareholder.

Number of Placing Shares

Up to 444,448,000 new Shares, representing (i) approximately 17.78% of the existing total number of issued shares of the Company as at the date of this announcement, and (ii) approximately 15.09% of the total number of issued shares of the Company as enlarged by the allotment and issue of the Placing Shares in full.

The aggregate nominal value of all Placing Shares amounts to HK\$11,111,200.

Placing Price

The Placing Price of HK\$0.18 represents:

- (i) a discount of approximately 13.88% to the closing price of HK\$0.209 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 13.29% to the average closing price of HK\$0.2076 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price and the recent trading volume of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent.

The net issue price per Placing Share (after deduction of the Placing commission and other related expenses as described below) is approximately HK\$0.18, assuming that the Placing is completed in full.

Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank pari passu in all respects with the other existing Shares in issue on the date of allotment and issue of the Placing Shares.

Condition of the Placing

The Placing is conditional upon the grant by the Stock Exchange of the listing of, and permission to deal in, all of the Placing Shares having been obtained on or before 5 December 2016 (either unconditionally or subject to conditions which are reasonably acceptable to the Company).

As the Placing may or may not proceed, shareholders of the Company and potential investors are advised to exercise caution when dealing in the Shares.

Completion of the Placing

Completion of the Placing shall take place on the third Business Day after the fulfillment of the condition of the Placing as aforesaid, or such other date as the Company and the Placing Agent may agree in writing.

General Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued under the General Mandate. As of the date of this Announcement, the General Mandate has been previously utilized in respect of 55,608,000 Shares, leaving an unutilized balance in respect of 444,452,552 Shares. Accordingly, the allotment and issue of the Placing Shares is not subject to the approval of the shareholders of the Company.

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 Placing Shares.

Termination of the Placing Agreement

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the date of completion of the Placing if:

- (i) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing;
- (ii) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing;
- (iii) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed;
- (iv) any statement contained in this announcement or any of the announcements and circulars issued by the Company to the Stock Exchange and/or the shareholders of the Company since the publication of the annual report of the Company for the year ended 31 December 2015, has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing;
- (v) there is any suspension of dealings in the Shares on the Stock Exchange for more than five consecutive Business Days (other than as a result of or in connection with the Placing); or
- (vi) any event of force majeure (being an event beyond the control of the Company and the Placing Agent and which is unforeseeable or unavoidable), including without limiting the generality of the foregoing, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, occurs which prevents the performance of the contractual obligations of the parties under the Placing Agreement.

REASONS FOR THE PLACING

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 Placing 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 Placing Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The maximum gross proceeds of the Placing will amount to HK\$80 million. The maximum net proceeds from the Placing, after deduction of the Placing commission and other related expenses, are estimated to be approximately HK\$79 million.

The net proceeds of the Placing are intended to be used as general working capital for existing business and for development of new business if opportunities arise.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund-raising activity in the 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Estimated net proceeds to be raised (approximately)	Intended use of proceeds	Actual use of proceeds
28 August 2016	Conditional agreement to issue new Shares under the General Mandate (terminated on 31 October 2016)	HK\$79.8 million	General working capital and future potential acquisition(s)	not applicable
29 August 2016	Conditional agreement to issue new Shares under the General Mandate (not yet completed) (the "Subscription")	HK\$10 million	General working capital	not applicable

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing; and (iii) immediately after completion of the Placing and the Subscription, assuming that all of the 444,448,000 Placing Shares are placed in full and there is no other change in the issued share capital of the Company before completion of the Placing and the Subscription:

	As at the date of this announcement		Immediately after the completion of the Placing		Immediately after the completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Xu Zhong Ping (<i>Note 1</i>)	1,264,098,431	50.56	1,264,098,431	42.93	1,264,098,431	42.13
Xu Xiao Yang (<i>Note 2</i>)	20,000,000	0.80	20,000,000	0.68	20,000,000	0.67
Places	–	–	444,448,000	15.09	444,448,000	14.81
The subscriber under the Subscription	–	–	–	–	55,608,000	1.85
Other public Shareholders	1,216,204,330	48.64	1,216,204,330	41.30	1,216,204,330	40.54
Total	2,500,302,761	100	2,944,750,761	100	3,000,358,761	100

Notes:

- Mr. Xu Zhong Ping directly holds 64,098,431 Shares, being approximately 2.56% of the total issued share capital of the Company. 1,200,000,000 Shares, being approximately 48% of the total issued shares capital of the Company, 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 Zhong Ping is the sole shareholder of Classy Jade Limited and was therefore deemed to be interested in the said 1,200,000,000 shares held by Gentle under Part XV of the SFO.
- Mr. Xu Xiao Yang is an executive Director.

DEFINITIONS

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

- “Board” means the board of Directors;
- “Business Day” means any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
- “Company” means China Environmental Technology Holdings Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 646);
- “Director(s)” means the director(s) of the Company;
- “General Mandate” means the general mandate granted to the Board by the shareholders of the Company by ordinary resolution passed at the annual general meeting of the Company held on 20 May 2016 to allot, issue and deal with new Shares up to a maximum of 20% of the aggregate nominal amount of the issued share capital of the Company as at that date, i.e. up to 500,060,552 new Shares;
- “Group” means the Company and its subsidiaries;
- “Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;
- “HK\$” means Hong Kong Dollars, the lawful currency of Hong Kong;

“Independent Third Party”	means a party which is independent of, and not connected with or acting in concert (as defined under the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong) with, the Company, any of its connected persons (as defined under the Listing Rules) or any of their respective associates (as defined under the Listing Rules);
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Placees”	individuals, institutional or other professional investors procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	means the placing, on a best effort basis, of a total of up to 444,448,000 new Shares to be allotted and issued pursuant to the terms of the Placing Agreement;
“Placing Agent”	means Prime Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	means the conditional placing agreement dated 21 November 2016 entered into between the Company and the Placing Agent in relation to the Placing;
“Placing Price”	means HK\$0.18 per Placing Share;
“Placing Shares”	means a total of up to 444,448,000 new Shares to be placed under the Placing;

“Share(s)”	means the ordinary share(s) of nominal value HK\$0.025 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“%”	means per cent.

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

Hong Kong, 21 November 2016

As at the date of this announcement, the executive directors are Mr. Xu Zhong Ping, Mr. Zhang Fang Hong 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 Li Jun.