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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
IN RELATION TO
THE DISPOSAL OF TARGET GROUP**

THE DISPOSAL

On 2 November 2019, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Target Interest, at the Consideration of RMB1.00 payable by the Purchaser to the Vendor on the date of the Agreement.

Upon Completion, members of the Target Group will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 24 September 2019 in relation to the entering into of a non-legally binding memorandum of understanding between an indirect wholly-owned subsidiary of the Company and the potential purchaser in respect of a proposed disposal of 90% equity interest in the Target Company.

THE DISPOSAL

On 2 November 2019, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Target Interest, at the Consideration of RMB1.00 payable by the Purchaser to the Vendor on the date of the Agreement.

THE AGREEMENT

Set out below are the principal terms of the Agreement:

Date : 2 November 2019

Parties

(i) Vendor : Shenzhen CETH Assets Management Co., Ltd

(ii) Purchaser : Lingshou County Dahua Kaitai Construction Labor Service Co., Ltd.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of

Pursuant to the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Target Interest, representing 90% of the equity interest in the Target Company.

Consideration

The Consideration for the Target Interest is RMB1.00, which was determined after arm's length negotiations between the Purchaser and the Vendor. The Consideration shall be payable in cash by the Purchaser to the Vendor on the date of the Agreement.

Basis of Consideration

The Company has taken into account of, among others, the following factors when determining the Consideration:

- (i) the unaudited net liabilities of the Target Group in the amount of approximately HK\$3,406,000 as at 30 September 2019; and
- (ii) the preliminary valuation of the net assets of the Target Group based on independent valuation in the amount of approximately HK\$ nil as at 30 September 2019.

In view of the above, the Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Under the Agreement, the Vendor is required to provide to the Purchaser all the documents required for PRC business and tax registration purpose in respect of the transfer of the Target Interests within three days of the date of the signing of the Agreement, and to assist the Purchaser in the said registration process. The Purchaser must complete the said registration within five days after the provision of all documents required for the registration by the Vendor. The Disposal is completed upon completion of the said registration process. Thereafter, the Vendor is released from all the rights and obligations assumed by it as the owner of the Target Interest and the Purchaser will assume all the said rights and obligations accordingly.

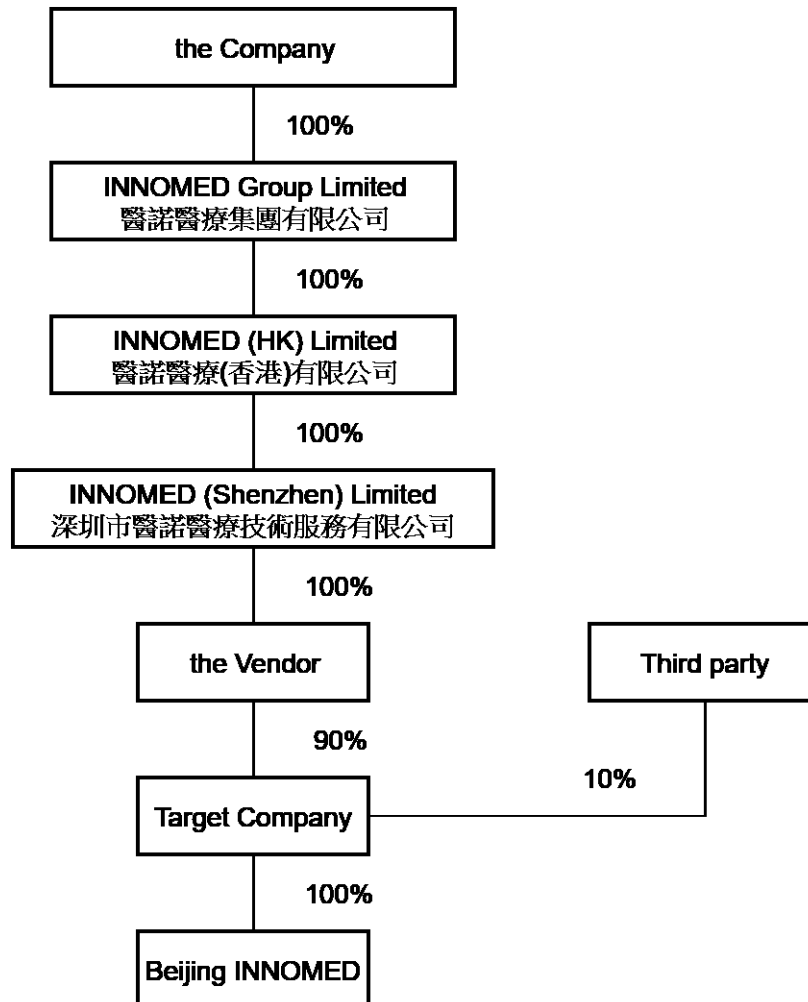
Upon Completion, members of the Target Group will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

INFORMATION ON THE TARGET GROUP

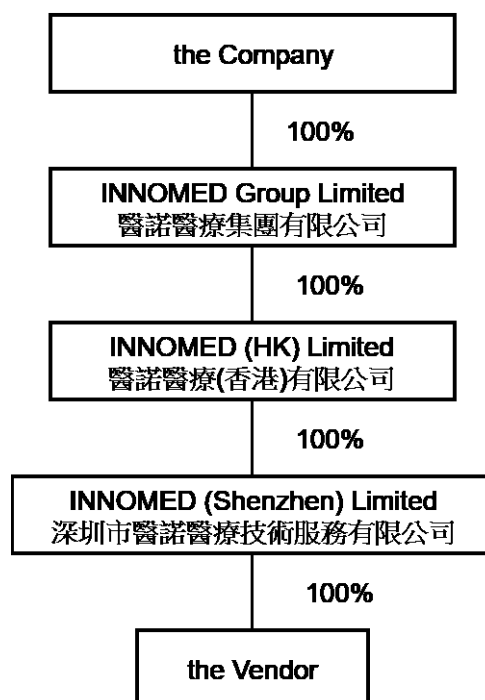
The Target Company is a company established in the PRC with limited liability. The Vendor currently holds 90% of the equity interest in the Target Company and its wholly-owned subsidiary, Beijing INNOMED, is principally engaged in the business of provision of medical services and hospital management in Beijing. As at the date of this announcement, the Hospital which is owned and shall be managed by Beijing INNOMED, is still under construction and has yet to commence any business.

Corporate structures of the Group and the Target Group

Set out below is the simplified shareholding structure of the Group (including the Target Group) as at the date of this announcement:



Set out below is the simplified shareholding structure of the Remaining Group immediately after the Completion:



Financial information of the Target Group

Set out below is the summary of key consolidated financial information of the Target Group for each of the two years ended 31 December 2018:

	For the year ended 31 December	
	2017 (<i>unaudited</i>) HK\$'000	2018 (<i>unaudited</i>) HK\$'000
Target Group		
Revenue	—	—
Net loss before and after taxation	5,752	9,503

As at 30 September 2019, the unaudited consolidated net liabilities of the Target Group amounted to approximately HK\$3,406,000.

INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in the business of provision of construction labour services.

INFORMATION ON THE GROUP AND THE REMAINING GROUP

The principal activity of the Company is investment holding and the Group is principally engaged in the business of wastewater treatment and health related products and services in the PRC.

Upon Completion, the Remaining Group will be principally engaged in the business of wastewater treatment. As disclosed in the Company's annual reports of 2017 and 2018, the wastewater treatment segment contributed revenue of approximately HK\$21,733,000 and HK\$46,365,000 for the years ended 31 December 2017 and 2018 respectively. The wastewater treatment businesses of the Group, which collectively represented approximately 93.8% of the Group's revenue for the year ended 31 December 2018, achieved an approximately 113.3% year-over-year growth in revenue in 2018, demonstrating their significant growth potentials.

Financial effect of the Disposal

Based on the Consideration of RMB1.00 (equivalent to approximately HK\$1.11), the estimated professional fees in relation to the Disposal of approximately HK\$1,688,000 and the unaudited net liabilities of the Target Group of approximately HK\$3,406,000 as at 30 September 2019, it is expected that the Group will record a gain of approximately HK\$1,718,000 from the Disposal. It is worth noting that the actual gain or loss on Disposal to be recorded by the Group shall depend on the net asset/liability value of the Target Group and the actual professional fees incurred as at Completion, which shall be subject to final audit.

Based on the Consideration of RMB1.00, it is expected that the net proceeds from the Disposal shall be minimal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Due to changes in key executive management of the Group and the lack of historical and practical reference on the Group's operating performance in hospital operations, there are inherent uncertainties as to whether the Group can operate the Hospital as planned. Therefore, the Board is actively seeking to divest the Hospital operation with the aim to complete the Disposal before 31 December 2019. As at the date of this announcement, the construction of the Hospital is causing significant amount of cash outflow to the Group on an ongoing basis as (i) the employment costs, daily operation costs and the costs of buying equipment amount to approximately RMB38 million; and (ii) the outstanding liabilities of the Target Group pursuant to the existing contractual obligations of Beijing INNOMED amount to approximately RMB70 million.

As disclosed in the interim report of the Company of 2019, the Group recognised total liabilities of approximately HK\$587.84 million as at 30 June 2019. In view of the Group's current funding level and financial position, the Board is of the view that the Group should reduce its total liabilities position by divesting the Hospital instead of continuing to invest in the construction and operation of the Hospital.

Since the Target Group is at a net liability position, the Board expects that, the Disposal, if completed, will significantly improve the financial position of the Company by reducing its liabilities, improving gearing position and enabling the Remaining Group to place and focus its resources towards its wastewater treatment business which is expected to achieve and deliver better economic value to the Remaining Group. On such basis, the Directors consider that the terms of the Disposal are fair and reasonable and the terms of the Agreement and the transactions contemplated thereunder are in the best interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Agreement”	means the sale and purchase agreement dated 2 November 2019 entered into between the Vendor and the Purchaser in relation to the transfer of the Target Interest;
“Beijing INNOMED”	means Beijing INNOMED Women’s and Children’s Hospital Co., Limited* (北京醫諾婦兒醫院有限責任公司), a company established under the laws of the PRC which is a wholly-owned subsidiary of the Target Company;
“Board”	means the board of Directors;
“Company”	means 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);
“Completion”	means completion of the transfer of the Target Interests in accordance with the terms of the Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	means RMB1.00 payable by the Purchaser to the Vendor as consideration for the transfer of the Target Interest pursuant to the terms of the Agreement;
“Director(s)”	means the director(s) of the Company;
“Disposal”	means the transfer of the Target Interest by the Vendor to the Purchaser pursuant to the Agreement;
“Group”	means the Company and its subsidiaries;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;

“Hospital”	means Beijing INNOMED Women’s and Children’s Hospital* (北京醫諾婦兒醫院), the proposed hospital which is still under construction and will be operated by Beijing INNOMED;
“HK\$”	means Hong Kong dollar(s), the lawful currency of Hong Kong;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	means the People’s Republic of China;
“Purchaser”	means Lingshou County Dahua Kaitai Construction Labor Service Co., Ltd.* (靈壽縣大華開泰建築勞務有限公司), a company established under the laws of the PRC;
“Remaining Group”	means the Group immediately after Completion;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Share(s)”	means the issued share(s) of the Company;
“Shareholder(s)”	means the holder(s) of the Share(s);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Target Company”	means Beijing Jianbao Kangying Medical Technology Co., Limited* (北京健寶康英醫療科技有限公司), a company established under the laws of the PRC, which is an indirect subsidiary of the Company and is owned as to 90% by the Vendor;
“Target Group”	means the Target Company and Beijing INNOMED;
“Target Interest”	means 90% of the equity interest in the Target Company to be transferred by the Vendor to the Purchaser pursuant to the Agreement, representing the entire equity interest of the Target Company owned by the Vendor;

“Vendor” means Shenzhen CETH Assets Management Co., Ltd.* (深圳中環科資產管理有限公司), a company established under the laws of the PRC which is an indirect wholly-owned subsidiary of the Company; and

“%” means per cent.

* *For identification purposes only.*

By order of the Board
China Environmental Technology Holdings Limited
XU Zhong Ping
Chairman

Hong Kong, 2 November 2019

As at the date of this announcement, the executive Directors are Mr. Xu Zhong Ping, Mr. Yang Baodong and Ms. Hu Yueyue; the non-executive Director is Mr. Ma Tianfu; and the independent non-executive Directors are Mr. Tse Chi Wai, Professor Zhu Nan Wen and Professor Li Jun.