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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)

**FURTHER INFORMATION ON
THE PROPOSED SHARE CONSOLIDATION**

PROPOSED SHARE CONSOLIDATION

With reference to the announcements of the Company dated 26 July 2021 and 27 July 2021 (the "**Announcements**"), the Board proposes to put forward to the Shareholders an additional proposal of Share Consolidation on the basis that every twenty (20) issued and unissued Shares of HK\$0.025 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.50 each in the share capital of the Company. The Share Consolidation is conditional upon, among other things, the approval of the Shareholders at the EGM referred to in the Announcements.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the proposals of (i) the Deed of Amendments and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; (ii) the Increase in Authorised Share Capital; and (iii) the Share Consolidation. The Circular containing, among other things, details of the above proposals and the notice of the EGM and form of proxy, is expected to be despatched to the Shareholders on or before 8 September 2021. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

The Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed "Conditions of the Share Consolidation" below in this announcement. Accordingly, the Share Consolidation may or may not proceed.

The Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Shares of HK\$0.025 each in the share capital of the Company be consolidated into one (1) Consolidated Share of HK\$0.50 each in the share capital of the Company.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (i) the passing of the ordinary resolution to approve the Share Consolidation by the Shareholders at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation; and
- (iii) the Listing Committee granting approval to the listing of and permission to deal in the Consolidated Shares.

The Share Consolidation will become effective on Wednesday, 29 September 2021, being the second Business Day immediately following the fulfilment of the above conditions.

Effect of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 8,000,000,000 Shares of par value of HK\$0.025 each, of which 3,650,358,761 Shares have been issued and are fully paid or credited as fully paid. Assuming that no further Shares are issued or repurchased between the date of this announcement and the date of the EGM, immediately after the Share Consolidation becoming effective, the authorised share capital of the Company will become HK\$200,000,000 divided into 400,000,000 Consolidated Shares of HK\$0.50 each (or HK\$500,000,000 divided into 1,000,000,000 Consolidated Shares of HK\$0.50 each if the Increase in Authorised Share Capital has also become effective), of which 182,517,938 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other. The Share Consolidation will not result in any change in the rights of the Shareholders. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders.

Listing application

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, upon the Share Consolidation being effective, the Consolidated Shares will be

accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares is listed or dealt in on any other stock exchange, and at the time when the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any other stock exchange other than the Stock Exchange. No such aforesaid listing or permission to deal is being or is proposed to be sought.

No change in Board Lot Size

As at the date of this announcement, the Shares are traded on the Stock Exchange in the board lot size of 8,000 Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will continue to be 8,000 Consolidated Shares.

Based on the closing price of HK\$0.019 per Share (equivalent to the theoretical closing price of HK\$0.38 per Consolidated Share) as quoted on the Stock Exchange as at the date of this announcement, the market value of each board lot of the Shares is HK\$152 and the theoretical market value of each board lot of the Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK\$3,040.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of existing share certificates held by such holder.

Arrangement in relation to odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot arrangement will be set out in the Circular to be despatched to the Shareholders.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.

Free exchange of certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be Wednesday, 29 September 2021, being the second Business Day immediately after the date of the EGM, Shareholders may on or after Wednesday, 29 September 2021 and until Monday, 8 November 2021 (both days inclusive), submit their existing share certificates for the Shares in the colour of green to the Company's branch share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange for new share certificates for the Consolidated Shares in the colour of red at the expense of the Company.

It is expected that the new share certificates for the Consolidated Shares will be available for collection within 10 Business Days after submission of the existing share certificates to the Company's branch share registrar and transfer office in Hong Kong for exchange. Thereafter, existing share certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each new share certificate for the Consolidated Shares issued or each existing share certificate for the Shares submitted for cancellation, whichever is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Thursday, 4 November 2021 and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of twenty (20) Shares for one (1) Consolidated Share.

Adjustments in relation to other securities of the Company

Share Options

As at the date of this announcement, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 221,760,000 Existing Shares (1,440,000 Share Options have lapsed since the announcement of the Company dated 1 March 2021 in relation to updated information regarding the grant of Share Options). There is no unutilised scheme limit of the 2010 Share Option Scheme which expired on 10 September 2020. Under the terms and conditions of the 2010 Share Option Scheme, the Share Consolidation may lead to adjustments to the exercise price and/or the number of shares of the Company falling to be issued upon the exercise of the 2010 Share Options outstanding. Assuming there is no other adjustment event under the relevant share option scheme other than the Share Consolidation becoming effective, the Share Options will entitle the holders thereof to subscribe for up to 11,088,000 Consolidated Shares in aggregate. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Convertible Bonds

As at the date of this announcement, there are outstanding Convertible Bonds with a principal amount of US\$7,000,000 (equivalent to approximately HK\$54.6 million) which are convertible into 265,048,544 Existing Shares at the prevailing conversion price of HK\$0.206 per Existing Share (or convertible into 2,184,000,000 Existing Shares at the Adjusted Conversion Price of HK\$0.025 per Existing Share subject to approval and completion of the Deed of Amendments and the Specific Mandate at the EGM). The Share Consolidation may lead to adjustment to the conversion price and the number of shares of the Company falling to

be issued upon the exercise of the conversion right attaching to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

Save for the aforesaid, the Company has no other outstanding options, warrants or securities in issue which are convertible or exchangeable into Shares as at the date of this announcement.

Reasons for the Share Consolidation

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view of the recent trading prices of the Shares at a level less than HK\$0.1 and the existing board lot value being less than HK\$2,000, the proposed Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange. As such, it would (i) enable the Company to comply with the trading requirements under the Listing Rules; and (ii) reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade.

With a corresponding upward adjustment in the trading price of the Consolidated Shares, the Board believes that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, and therefore further broaden the shareholder base of the Company. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders.

As at the date of this announcement, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation and the Company does not have any intention, negotiation, agreement, arrangement or understanding for any fundraising activities, acquisitions and/or disposals in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

In view of the above reasons, the Company considers the proposed Share Consolidation is justifiable notwithstanding of the potential costs and impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Share Consolidation:

Event	Time and date
Despatch date of Circular, proxy form with notice of the EGM	on or before Wednesday, 8 September 2021
Latest time for lodging share transfer documents in order to qualify for attending and voting at the EGM	4:30 p.m. on Friday, 17 September 2021
Closure of register of members for determining the entitlement to attend and vote at the EGM (both dates inclusive)	Monday, 20 September 2021 to Monday, 27 September 2021
Latest time for lodging forms of proxy for the EGM (not less than 48 hours prior to time of the EGM)	11:00 a.m. on Saturday, 25 September 2021
Record date for attendance and voting at the EGM	Monday, 27 September 2021
Date and time of the EGM	11:00 a.m. on Monday, 27 September 2021
Publication of the announcement of poll results of the EGM	Monday, 27 September 2021

The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:

Effective date of the Share Consolidation	Wednesday, 29 September 2021
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Wednesday, 29 September 2021
Dealing in the Consolidated Shares commences	9:00 a.m. on Wednesday, 29 September 2021

Original counter for trading in the Existing Shares in board lots of 8,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 29 September 2021
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 29 September 2021
Original counter for trading in the Consolidated Shares in board lots of 8,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens	9:00 a.m. on Friday, 15 October 2021
Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) commences	9:00 a.m. on Friday, 15 October 2021
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Friday, 15 October 2021
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Thursday, 4 November 2021
Temporary counter for trading in the Consolidated Shares in board lots of 400 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 4 November 2021
Parallel trading in the Consolidated Shares (in the form of new share certificates for the Consolidated Shares and existing share certificates) ends	4:10 p.m. on Thursday, 4 November 2021
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	Monday, 8 November 2021

All times and dates in this timetable refer to Hong Kong local times and dates. The Shareholders should note that the dates and deadlines specified in this announcement for events in the expected timetable for the Share Consolidation are subject to the satisfaction of all the conditions of the Share Consolidation, including but not limited to the approval of the Share Consolidation by the Shareholders at the EGM, and are therefore for indicative purposes only.

In the event that any special circumstances arise, the Board may extend, or make adjustments to, the expected timetable if it considers appropriate. Any extension or adjustment to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the proposals of (i) the Deed of Amendments and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; (ii) the Increase in Authorised Share Capital; and (iii) the Share Consolidation. The Circular containing, among other things, details of the above proposals and the notice of the EGM and form of proxy, is expected to be despatched to the Shareholders on or before 8 September 2021. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

The Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed "Conditions of the Share Consolidation" above in this announcement. Accordingly, the Share Consolidation may or may not proceed.

The Shareholders and potential investors are advised to exercise caution when dealing in the Shares. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

"2010 Share Option Scheme"	the share option scheme of the Company adopted on 10 September 2010 and expired on 10 September 2020
"Adjusted Conversion Price"	as defined in the announcement of the Company dated 26 July 2021
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular of the Company containing, among other things, the proposals in relation to (i) the Deed of Amendments and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; (ii) the Increase in Authorised Share Capital; (iii) the Share Consolidation; and (iv) the notice of the EGM, which is expected to be despatched to the Shareholders on or before 8 September 2021
"Company"	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 Stock Exchange
"Consolidated Share(s)"	ordinary share(s) with a par value of HK\$0.5 each in the share capital of Company upon the Share Consolidation becoming effective
"Convertible Bonds"	as defined in the announcement of the Company dated 26 July 2021

"Conversion Shares"	as defined in the announcement of the Company dated 26 July 2021
"Deed of Amendments"	as defined in the announcement of the Company dated 26 July 2021
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the Deed of Amendments and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; (ii) the Increase in Authorised Share Capital; and (iii) the Share Consolidation
"Existing Share(s)" or "Share(s)"	the ordinary share(s) of HK\$0.025 each in the share capital of the Company prior to the Share Consolidation becoming effective
"Group"	the Company and its Subsidiaries (from time to time)
"HK\$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"Increase in Authorised Share Capital"	the proposed increase in authorised share capital of the Company from HK\$200,000,000 divided into 8,000,000,000 Shares of HK\$0.025 each to HK\$500,000,000 divided into 20,000,000,000 Shares of HK\$0.025 each (equivalent to 1,000,000,000 Consolidated Shares of HK\$0.5 each if the Share Consolidation has become effective) by the creation of an additional 12,000,000,000 unissued Shares of HK\$0.025 each (equivalent to 600,000,000 Consolidated Shares of HK\$0.5 each if the Share Consolidation has become effective)
"Listing Committee"	has the meaning ascribed thereto under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Shareholder(s)"	the holder(s) of the Share(s)

"Share Consolidation"	the proposed consolidation of every twenty (20) issued and unissued Existing Shares of par value of HK\$0.025 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$0.5 each
"Share Option(s)"	share option(s) granted under the 2010 Share Option Scheme
"Specific Mandate"	the specific mandate to be sought from the Shareholders at the EGM to approve, inter alia, the allotment and issuance of the Conversion Shares upon full conversion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	subsidiary(ies) of the Company
"%"	per cent

By Order of the Board
**CHINA ENVIRONMENTAL
TECHNOLOGY HOLDINGS LIMITED**
XU Jingping
Chairman

Hong Kong, 6 August 2021

As at the date of this announcement, the executive directors are Mr. Xu Jingping, Mr. Yang Baodong and Ms. Hu Yueyue; the non-executive directors are Mr. Xu Zhongping and Mr. Ma Tianfu; and the independent nonexecutive directors are Mr. Tse Chi Wai, Professor Zhu Nanwen and Professor Li Jun.