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**CHINA ENVIRONMENTAL TECHNOLOGY AND
BIOENERGY HOLDINGS LIMITED**

中科生物控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1237)

**LOAN CAPITALISATION INVOLVING ISSUE OF NEW
SHARES UNDER GENERAL MANDATE**

On 20 December 2019, the Company entered into the Subscription Agreement I with Subscriber A, pursuant to which Subscriber A has conditionally agreed to subscribe for an aggregate of 61,766,700 new Shares at the Subscription Price of HK\$0.12 by capitalising a partial amount of Bond I together with accrued interest thereon in the amount of HK\$7,412,004.00 owed by the Company to Subscriber A.

On 20 December 2019, the Company entered into the Subscription Agreement II with Subscriber B, pursuant to which Subscriber B has conditionally agreed to subscribe for an aggregate of 61,766,700 new Shares at the Subscription Price of HK\$0.12 by capitalising a partial amount of Bond II together with accrued interest thereon in the amount of HK\$7,412,004.00 owed by the Company to Subscriber B.

The Total Subscription Shares represent approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Total Subscription Shares.

LOAN CAPITALISATION

On 20 December 2019, the Company entered into the Subscription Agreement I with Subscriber A, pursuant to which Subscriber A has conditionally agreed to subscribe for an aggregate of 61,766,700 new Shares at the Subscription Price of HK\$0.12 by capitalising a partial amount of Bond I together with accrued interest thereon in the amount of HK\$7,412,004.00 owed by the Company to Subscriber A.

On 20 December 2019, the Company entered into the Subscription Agreement II with Subscriber B, pursuant to which Subscriber B has conditionally agreed to subscribe for an aggregate of 61,766,700 new Shares at the Subscription Price of HK\$0.12 by capitalising a partial amount of Bond II together with accrued interest thereon in the amount of HK\$7,412,004.00 owed by the Company to Subscriber B.

SUBSCRIPTION AGREEMENT I

Date : 20 December 2019

Parties : The Company, as issuer
Subscriber A, as subscriber

Subscriber A is a Hong Kong resident. As at the date of this announcement, Subscriber A is interested in 12,386,160 Shares. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Subscriber A is an Independent Third Party.

On 26 August 2014, the Company entered into a subscription agreement with Subscriber A, pursuant to which Subscriber A agreed to subscribe for Bond I in an aggregate principal amount of HK\$10,000,000 issued by the Company. The Bond I bears an interest rate of 5% per annum and has become due on 29 August 2017 (the "**Maturity Date I**"). The above subscription agreement was later supplemented by an agreement dated 29 August 2017, whereby (i) the Maturity Date I has been extended to 29 August 2022; and (ii) Bond I continues to bear an interest rate of 5% per annum from the date of issue of Bond I (i.e. 29 August 2014) to 28 August 2017 and an interest rate of 3% per annum from 29 August 2017 for the remaining term. As at the date of the Subscription Agreement I, the Company is indebted to Subscriber A the principal amount of Bond I together with accrued interest thereon in the amount of HK\$10,040,130.30.

The total subscription price payable by Subscriber A under the Subscription Agreement I will be satisfied by capitalising a partial amount of Bond I together with accrued interest thereon in the amount of HK\$7,412,004.00 due from the Company to Subscriber A.

The Subscription Shares I represent approximately 10% of the existing issued share capital of the Company and approximately 8.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

SUBSCRIPTION AGREEMENT II

Date : 20 December 2019

Parties : The Company, as issuer
Subscriber B, as subscriber

Subscriber B is a Hong Kong resident. As at the date of this announcement, Subscriber B is interested in 117,160 Shares. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Subscriber B is an Independent Third Party.

On 25 August 2014, the Company entered into a subscription agreement with Subscriber B, pursuant to which Subscriber B agreed to subscribe for Bond II in an aggregate principal amount of HK\$10,000,000 issued by the Company. The Bond II bears an interest rate of 5% per annum and has become due on 29 August 2017 (the "**Maturity Date II**"). The above subscription agreement was later supplemented by an agreement dated 29 August 2017, whereby (i) the Maturity Date II has been extended to 29 August 2022; and (ii) Bond II continues to bear an interest rate of 5% per annum from the date of issue of Bond II (i.e. 29 August 2014) to 28 August 2017 and an interest rate of 3% per annum from 29 August 2017 for the remaining term. As at the date of the Subscription Agreement II, the Company is indebted to Subscriber B the principal amount of Bond II together with accrued interest thereon in the amount of HK\$10,040,130.30.

The total subscription price payable by Subscriber B under the Subscription Agreement II will be satisfied by capitalising a partial amount of Bond II together with accrued interest thereon in the amount of HK\$7,412,004.00 due from the Company to Subscriber B.

The Subscription Shares II represent approximately 10% of the existing issued share capital of the Company and approximately 8.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Conditions of the Subscription Agreements

The completion of each of the Subscription Agreements is conditional upon and the following conditions having been fulfilled:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Total Subscription Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Total Subscription Shares);
- (b) no legislation, rule or regulation being proposed or passed that would prohibit or materially restrict the implementation of the Subscription Agreements; and
- (c) the warranties given by each of the Subscribers under the Subscription Agreements remaining true, accurate, complete and correct in all respects and not misleading in any respect up to and including the Completion Date.

Subscription Agreement I is not inter-conditional on Subscription Agreement II, and Subscription Agreement II is not inter-conditional on Subscription Agreement I.

If any of the above conditions is not satisfied on or before the Long Stop Date, the Subscription Agreements will lapse and neither party to each of the Subscription Agreements may have any claim against each other save for antecedent breaches.

Since each of the Subscriptions is subject to the conditions set out in the respective Subscription Agreements, the Subscriptions may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Subscription Price

The Subscription Price for the Total Subscription Shares, representing approximately HK\$0.12 per Subscription Share represents:

- (i) the closing price of HK\$0.12 per Share as quoted on the Stock Exchange on 20 December 2019 (being the date of the Subscription Agreements); and
- (ii) the average closing price of HK\$0.12 per Share as quoted on the Stock Exchange for the last five trading days immediately before 20 December 2019.

After deducting the relevant expenses of the Subscriptions, the net Subscription Price per Subscription Share is approximately HK\$0.119.

The Subscription Price was arrived at after arm's length negotiations between the Company and each of the Subscribers with reference to the average closing price per Share for the last five consecutive trading days of the Shares. The Directors consider that the Subscription Price and the terms and conditions of each of the Subscription Agreements are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Rights

The Total Subscription Shares, when allotted and issued, will rank pari passu in all respects among themselves.

Mandate to issue the Subscription Shares

The Total Subscription Shares shall be allotted and issued under the General Mandate. Under the General Mandate, the Company is authorised to issue 123,533,400 Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate. The allotment and issue of the Total Subscription Shares is not subject to Shareholders' approval.

Completion

Completion of the Subscriptions is expected to take place within three business days after the date upon which the last condition to be satisfied has been so satisfied, or if applicable, waived by the Subscribers (or such other time and/or date as the Company and the Subscribers may agree in writing).

CHANGES OF SHAREHOLDING STRUCTURE

The changes on the shareholding structure of the Company as a result of the Loan Capitalisation are as follows:

	As at the date of this announcement and before the Loan Capitalisation and the allotment and issue of the Total Subscription Shares		Immediately after the completion of the Loan Capitalisation and the allotment and issue of the Total Subscription Shares	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>
Green Seas Capital Limited	89,929,482	14.56%	89,929,482	12.13%
Hong Kong Run De Holdings Limited	86,000,000	13.92%	86,000,000	11.60%
Hong Kong Guoyuan Group Capital Holdings Limited	137,826,000	22.31%	137,826,000	18.59%
Subscriber A	2,386,160	0.39%	64,152,860	8.66%
Subscriber B	117,160	0.02%	61,883,860	8.35%
Other public Shareholders	301,408,198	48.80%	301,408,198	40.66%
Total	<u>617,667,000</u>	<u>100.00%</u>	<u>741,200,400</u>	<u>100.00%</u>

REASONS FOR LOAN CAPITALISATION

The principal activity of Company is investment holding and the principal activities of its subsidiaries include but not limited to manufacturing and sales of outdoor wooden products, manufacturing and renewable energy products.

The Directors believe that it is in the interests of the Company to convert and capitalise part of the outstanding amount under the Bonds owed by the Company to the Subscribers into share capital as the Loan Capitalisation can reduce cash outflow from the Company. The Board also considers that the Loan Capitalisation will enlarge the capital base of the Company and will reduce the gearing level of the Group thereby strengthening the financial position of the Group. It is not expected that the Loan Capitalisation will have any material impact to the operation and financial position of the Group.

The Directors consider that the Subscription Agreements are entered into upon normal commercial terms following arm's length negotiations between the parties to the Subscription Agreements and that the conditions and terms of the Subscription Agreements are fair and reasonable and are in the interests of the Shareholders as a whole.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising exercise during the past twelve months preceding the date of this announcement.

GENERAL

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in the Total Subscription Shares. Upon completion of the Subscription Agreements, the General Mandate will be utilised as to 100% and the Company can further issue up to nil Shares under the General Mandate.

DEFINITIONS

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

“Board”	the board of Directors
“Bond I”	the unlisted bond due 2022 issued by the Company to Subscriber A in an aggregate principal amount of HK\$10,000,000
“Bond II”	the unlisted bond due 2022 issued by the Company to Subscriber B in an aggregate principal amount of HK\$10,000,000
“Bonds”	Bond I and Bond II
“Company”	China Environmental Technology and Bioenergy Holdings Limited, a limited company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 1237)
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of Company held on 24 May 2019
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules

“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
“Loan Capitalisation”	the subscription of the Total Subscription Shares at the Total Subscription Price of HK\$14,824,008.00 in accordance with the terms and conditions of (i) the Subscription Agreement I by capitalising a partial amount of Bond I together with accrued interest thereon in the amount of HK\$7,412,004.00; and (ii) the Subscription Agreement II by capitalising a partial amount of Bond II together with accrued interest thereon in the amount of HK\$7,412,004.00
“Long Stop Date”	31 January 2020 (or such other date as the relevant parties may agree in writing)
“Subscriber A”	Han Hong, an Independent Third Party, the subscriber to the Subscription Agreement II
“Subscriber B”	Han Jin, an Independent Third Party, the subscriber to the Subscription Agreement II
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement I”	the subscription agreement dated 20 December 2019 and entered into between the Company and Subscriber A in respect of the capitalisation of a partial amount of Bond I together with accrued interest thereon in the amount of HK\$7,412,004.00 owed by the Company to Subscriber A
“Subscription Agreement II”	the subscription agreement dated 20 December 2019 and entered into between the Company and Subscriber B in respect of the capitalisation of a partial amount of Bond II together with accrued interest thereon in the amount of HK\$7,412,004.00 owed by the Company to Subscriber B

“Subscription Agreements”	together, Subscription Agreement I and Subscription Agreement II
“Subscription Price”	the subscription price of HK\$0.12 for the Subscription Shares I or HK\$0.12 for the Subscription Shares II (as the case may be) which are equal to the closing price of the Share on the date of this Agreement
“Subscription Shares I”	the 61,766,700 new Shares to be subscribed by Subscriber A pursuant to the Subscription Agreement I
“Subscription Shares II”	the 61,766,700 new Shares to be subscribed by Subscriber B pursuant to the Subscription Agreement II
“Total Subscription Price”	the total subscription price of HK\$14,824,008.00, representing approximately HK\$0.12 per Subscription Share to be allotted and issued to Subscriber A and Subscriber B respectively under the Subscription Agreements
“Total Subscription Shares”	together, Subscription Shares I and Subscription Shares II
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
**China Environmental Technology and
Bioenergy Holdings Limited**
Xie Qingmei
Chairlady

Hong Kong, 22 December 2019

As at the date of this announcement, the executive Directors are Ms. Xie Qingmei and Mr. Wu Zheyang, the non-executive Director is Mr. Wu Dongping, and the independent non-executive Directors are Mr. Lam Hin Chi, Prof. Jin Zhongwei and Prof. Su Wenqiang.