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CHINA ENVIRONMENTAL INVESTMENT HOLDINGS LIMITED

中國環保投資股份有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 260)

DISCLOSEABLE TRANSACTION

DISPOSAL OF A SUBSIDIARY

On 30 May 2014, the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the conditional Share Transfer Agreement with the Purchaser, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Target Interest for the Consideration of RMB33,039,200 (equivalent to approximately HK\$41,299,000).

The Purchaser is a substantial shareholder of Jilin Storage and is therefore a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Purchaser is a connected person of the Company by virtue of its relationship with Jilin Storage only, and the relevant percentage ratios under Rule 14A.31(9)(1)(b)(i) of the Listing Rules are less than 10% for each of the latest three financial years of the Company and the Consideration Ratio is less than 10%, the transactions contemplated under the Share Transfer Agreement are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. However, as one or more of the applicable Percentage Ratio(s) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

THE SHARE TRANSFER AGREEMENT

Date

30 May 2014

Parties

The Vendor: 深圳中油潔能環保科技有限公司 (Shenzhen Sinogas Environmental Protection Technology Company Limited*), an indirect wholly-owned subsidiary of the Company

The Purchaser: 長春眾誠燃氣儲運有限公司 (Changchun Zhongcheng Gas Storage and Transportation Company Limited*), the purchaser of the Target Interest and a substantial shareholder of Jilin Storage

As at the date of this announcement, Jilin Storage is owned as to 55% by the Vendor and 45% by the Purchaser. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), save for being a shareholder of Jilin Storage.

Assets to be disposed of

Pursuant to the Share Transfer Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Target Interest, which represents 55% equity interest in Jilin Storage.

Upon Completion, the Company will no longer have any equity interest in Jilin Storage.

Consideration and payment terms

Pursuant to the Share Transfer Agreement, the Consideration is RMB33,039,200 (equivalent to approximately HK\$41,299,000) which shall be paid in cash in the following manner:

- (1) 95% of the Consideration, being RMB31,387,200 (equivalent to approximately HK\$39,234,000), shall be paid by the Purchaser to the bank account designated by the Vendor within three Business Days from the effective date of the Share Transfer Agreement and before the Closing Date; and
- (2) the balance of 5% of the Consideration, being RMB1,652,000 (equivalent to approximately HK\$2,065,000), shall be paid by the Purchaser to the bank account designated by the Vendor within three Business Days after the Closing Date.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser after taking into account (i) the unaudited net asset value attributable to equity owners of Jilin Storage as at 31 December 2012 and 31 December 2013 of approximately RMB48.5 million (equivalent to approximately HK\$60.6 million) and RMB46.7 million (equivalent to approximately HK\$58.4 million) respectively; (ii) the audited net asset value of Jilin Storage attributable to equity owners of approximately RMB46.8 million (equivalent to approximately HK\$58.5 million) as at the Assessment Date according to an audited report prepared for the purpose of the Disposal; and (iii) the appraised value of approximately RMB59.4 million (equivalent to approximately HK\$74.3 million) of 100% equity interest in Jilin Storage as at the Assessment Date as assessed by an independent appraiser appointed by the Vendor.

Other material terms of the Share Transfer Agreement

Based on the principle of simultaneous transfer of the equity interest and the debt obligations, the Purchaser has agreed to assume and guarantee certain debt obligations of Jilin Storage pursuant to the Share Transfer Agreement as follows:

- (1) As at the Assessment Date, Jilin Storage had the Target Debts in the amount of RMB8,689,820 due to Changchun Sinogas (an indirect wholly-owned subsidiary of the Company), the benefit of which has been assigned to the Vendor. Pursuant to the Share Transfer Agreement, the Purchaser has agreed to assume the Target Debts and to fully settle the Target Debts within three Business Days from the effective date of the Share Transfer Agreement and before the Closing Date by way of a lump-sum payment to the bank account designated by the Vendor.
- (2) As at the date of the Share Transfer Agreement, the Vendor has executed a guarantee contract in favor of a bank in respect of a loan in the amount of RMB20 million granted to Jilin Storage for the period from 10 August 2013 to 8 August 2016. Pursuant to the Share Transfer Agreement, the Purchaser has agreed to (i) release the Vendor from such guarantee obligations and to provide other guarantee arrangements as requested by the relevant bank for the purpose of releasing the Vendor from any such collateral obligations and to obtain the bank's written consent in respect thereof; and (ii) assist the Vendor to be fully released from any such collateral obligations for the period from the effective date of the Share Transfer Agreement to the Closing Date. As from the Closing Date, the Vendor will not bear any collateral obligations in respect of the aforesaid loan, nor will it assume any corporate debts, guarantee obligations, contingent liabilities or taxation of Jilin Storage.

Condition precedent

The Completion is conditional upon fulfillment of the controller of the Vendor having completed all relevant disclosure, announcement and compliance obligations according to the requirements under the Listing Rules and its articles of association.

Completion

The Share Transfer Agreement becomes effective on the day when signed and stamped with official seals of both the Purchaser and the Vendor. The Completion for the sale and purchase of the Target Interest shall take place on the day of completion of the registration of the change in respect of the Disposal with the local Administration of Industry and Commerce. The Completion shall take place within four months after the fulfillment of the above condition precedent.

INFORMATION ON THE GROUP, THE VENDOR AND THE PURCHASER

The Group is principally engaged in the management and operation of compressed natural gas (“CNG”) and liquefied petroleum gas (“LPG”) refueling stations, light-emitting diode energy management contracts, and the provision of finance lease and financing services. The Vendor is an indirect wholly-owned subsidiary of the Company and, together with its subsidiaries, are principally engaged in the management and operation of CNG and LPG refueling stations in the PRC.

Based on the information provided by the Purchaser, the Purchaser is principally engaged in the distribution of lubricants, solvents, paraffin wax, chemical products (other than inflammable, explosive and hazardous chemicals). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), save for being an equity holder of Jilin Storage.

INFORMATION ON JILIN STORAGE

As at the date of the Share Transfer Agreement, Jilin Storage is held as to 55% by the Vendor and as to 45% by the Purchaser.

The principal business of Jilin Storage is the management and operation of an LPG storage facility in Jilin Province in the PRC. Jilin Storage is presently in the process of constructing the facilities for its LPG storage business which is expected to commence within this year.

For the years ended 31 December 2012 and 31 December 2013, Jilin Storage did not record any business revenue and recorded an unaudited loss after taxation of approximately RMB1,235,000 and approximately RMB1,799,000, respectively. As at 31 December 2013, Jilin Storage had an unaudited net asset value of approximately RMB46.7 million. As at 28 February 2014, the audited net asset value of Jilin Storage was approximately RMB46.8 million.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the audited net asset value of Jilin Storage of approximately RMB46.8 million as at 28 February 2014, it is estimated that the Company will recognize a gain of approximately RMB7.3 million (equivalent to approximately of HK\$9.1 million) as a result of the Disposal. The sale proceeds generated from the Disposal will be applied as general working capital of the Group.

Upon Completion, the Company will no longer have any equity interest in Jilin Storage which will cease to be a subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Jilin Storage has been a subsidiary of the Company since 2011 and has not made any contribution to the Group. The Company is expected to realize a gain as a result of the Disposal. The sale proceeds from the Disposal will also strengthen the financial position of the Group and enhance its cashflow.

The terms of the Share Transfer Agreement have been determined after arm's length negotiation and are normal commercial terms. In view of the aforesaid benefits resulting from the Disposal, the Directors (including the independent non-executive Directors) believe that the terms of the Share Transfer Agreement are fair and reasonable and are in the interests of the Company and its shareholders taken as a whole.

LISTING RULES IMPLICATIONS

The Purchaser is a substantial shareholder of Jilin Storage and is therefore a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Purchaser is a connected person of the Company by virtue of its relationship with Jilin Storage only, and the relevant percentage ratios under Rule 14A.31(9)(1)(b)(i) of the Listing Rules are less than 10% for each of the latest three financial years of the Company, and the Consideration Ratio is less than 10%, the transactions contemplated under the Share Transfer Agreement are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A.31(9) of the Listing Rules. However, as one or more of the applicable Percentage Ratio(s) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

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

“Assessment Date”	28 February 2014
“Board”	the board of Directors
“Business Day(s)”	statutory working day(s) in the PRC
“Changchun Sinogas”	長春中油潔能燃氣有限公司 (Changchun Sinogas Company Limited*), a company established under the PRC law with limited liability and an indirect wholly-owned subsidiary of the Company
“Closing Date”	the date on which the registration of the change in respect of the Disposal with the local Administration of Industry and Commerce having been completed
“Company”	China Environmental Investment Holdings Limited 中國環保投資股份有限公司, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the Share Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration in the sum of RMB33,039,200 (equivalent to approximately HK\$41,299,000) payable by the Purchaser to the Vendor for the Disposal
“Consideration Ratio”	has the meaning as set out in Rule 14.07 of the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 55% equity interest in Jilin Storage by the Vendor to the Purchaser pursuant to the Share Transfer Agreement

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Jilin Storage”	吉林中油潔能儲運有限公司 (Jilin Sinogas Storage Company Limited*), a company established under the PRC law with limited liability and 55% of its equity interest was held by the Vendor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratios”	the percentage ratios as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	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 Taiwan
“Purchaser”	長春眾誠燃氣儲運有限公司 (Changchun Zhongcheng Gas Storage and Transportation Company Limited*), a company established under the PRC law with limited liability which holds 45% equity interest in Jilin Storage as at the date of the Share Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC and, for the purpose of this announcement, the exchange rate between RMB and HK\$ is RMB1: HK\$1.25
“Share Transfer Agreement”	the conditional share transfer agreement dated 30 May 2014 entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Debts”	the debts in the total amount of RMB8,689,820 due by Jilin Storage to Changchun Sinogas as at the Assessment Date, the benefit of which has been assigned to the Vendor
“Target Interest”	the 55% equity interest in Jilin Storage which is the subject matter of the Disposal

“Vendor”

深圳中油潔能環保科技有限公司 (Shenzhen Sinogas Environmental Protection Technology Company Limited*), a company established under the PRC law with limited liability and an indirect wholly-owned subsidiary of the Company

%

per cent.

By order of the Board
China Environmental Investment Holdings Limited
Ji Hui
Chief Executive Officer

Hong Kong, 30 May 2014

As of the date of this announcement, the Board comprises nine directors, of which Mr. Ji Guirong (Chairman) is the non-executive director; Mr. Ji Hui (Chief Executive Officer), Mr. Zang Zheng, Mr. Zhang Chuanjun, Mr. Zhang Ning (Chief Financial Officer) and Mr. Xiao Wei are the executive directors; Mr. Wang Zhonghua, Mr. Zhong Qiang and Mr. Hu Xiaowen are the independent non-executive directors.

* *For identification purpose only*