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## **China Environmental Energy Investment Limited**

**中國環保能源投資有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 986)**

### **DISCLOSEABLE TRANSACTION**

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On 4 June 2014 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell the Sale Shares, at a consideration of HK\$66,000,000 which shall be settled by way of cheque drawn in favour of the Company by three instalments.

The Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules as the relevant percentage ratio exceeds 5% but less than 25% and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 4 June 2014 (after trading hours) the Company as vendor and the Purchaser as purchaser entered into the Sale and Purchase Agreement pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares for a consideration of HK\$66,000,000. The principal terms of the Sale and Purchase Agreement are set out below:

#### **THE SALE AND PURCHASE AGREEMENT**

**Date:** 4 June 2014

- Parties:**
- (1) Vendor : The Company
  - (2) Purchaser : Lucky East International Limited

The Purchaser is a company incorporated in British Virgin Islands with limited liability and, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, is an Independent Third Party.

### **Assets to be disposed of**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Company has agreed to sell the Sale Shares. The Sale Shares comprise 9.9% of the entire issued share capital of Swift Profit.

### **Consideration**

The Consideration for the Sale Shares payable by the Purchaser to the Company shall be the sum of HK\$66,000,000 and will be settled by three instalments. Each of the three instalments shall be paid by the Purchaser by way of a cheque drawn in favour of the Company in the following amount on the following payment dates:–

- (i) the first instalment in the sum of HK\$3,300,000 shall be paid within 7 days after date of signing the Sale and Purchase Agreement;
- (ii) the second instalment in the sum of HK\$3,300,000 shall be paid on 30 June 2014; and
- (iii) the third instalment in the sum of HK\$59,400,000 shall be paid on the Completion Date.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to (i) the business valuation of Disposed Group by an independent professional valuer; (ii) the financial performance of the Disposed Group; and (iii) the reasons for the Disposal as disclosed herein below.

## **Conditions precedent and Completion**

Completion is conditional upon the Company complying with all applicable laws, regulations and rules in Hong Kong or elsewhere including but not limited to those under the Listing Rules and the requirements, instructions and indications, etc. of the Stock Exchange in relation to the Sale and Purchase Agreement and the transactions contemplated under the Sale and Purchase Agreement.

Upon compliance with or fulfillment of the aforesaid condition, Completion shall take place on the first Business Day following the fulfillment of the aforesaid condition or on or before 31 December 2014 (or such other date as the Company and the Purchaser may agree in writing).

Upon Completion, the members of the Disposed Group have ceased to be Available-for-sale investment of the Company.

## **INFORMATION ON THE DISPOSED GROUP**

The Disposed Group is principally engaged in license holding.

Swift Profit is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in license holding. The principal asset of Swift Profit is the exclusive license in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles. As at the date of this announcement, Swift Profit directly holds 100% of the equity interest in Well Dragon (China) Limited, a company incorporated in Hong Kong and which in turn holds 100% of the equity interest in 象山佳龍能源科技有限公司, a wholly foreign owned enterprise established under the laws of PRC and is principally engaged in the business of sub-licensing the patent to other factories for the manufacturing of the multi-element polymer battery for electric vehicles in PRC.

Based on the unaudited consolidated management accounts of Disposed Group as at 31 December 2013 prepared in accordance with the Hong Kong Financial Reporting Standards, the unaudited consolidated total assets value and the net liabilities value of the Disposed Group were US\$81,918 and US\$25,953 respectively. The unaudited net loss before and after taxation and extraordinary item of Disposed Group for two financial years ended 31 December 2012 and 2013 are as follows:–

	<b>As at</b> <b>31 December 2012</b> <i>(US\$)</i>	<b>As at</b> <b>31 December 2013</b> <i>(US\$)</i>
Net loss before taxation	6,077	2,036
Net loss after taxation	6,077	2,036

The carrying value of the Disposed Group as valued by an independent professional valuer as at 31 March 2013 and 30 September 2013 were HK\$82,081,000 and HK\$66,000,000 respectively.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

It is estimated that the loss on the Disposal is approximately HK\$16,081,000. Such loss is estimated based on the difference between the Consideration and the carrying value of the Disposed Group as at 31 March 2013.

The Board intends to apply the net proceeds from the Disposal of approximately HK\$65.9 million for the repayment of debts owned by the Company, working capital of the Remaining Group and/or for financing future investment opportunities.

## **REASONS FOR THE DISPOSAL**

The Group is principally engaged in waste paper, scrap metal and consumable wastes recycling.

The Disposed Group, the assets of which mainly consist of exclusive license in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles, has been making loss with a net loss after tax of US\$6,077 for the year ended 31 December 2012 and a net loss after tax of US\$2,036 for the year ended 31 December 2013 and is expected that there will be no improvement for the financial year ended 31 December 2014. Given an intense competition in the industry environment and a less robust demand related to electric cars and batteries, the unsatisfactory performance of the Disposed Group and continuing loss making by the Disposed Group, the Directors believe that it is in the interest of the Company as a whole to re-allocate the management and the Group's financial resources to strengthen remaining business of waste paper recycling after the Completion of the Disposal. As such, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

The Disposal constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules as the relevant percentage ratio exceeds 5% but less than 25%. As such, the Disposal is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **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
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Environmental Energy Investment Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange, the vendor in the Sale and Purchase Agreement

“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	the first Business Day following the fulfillment of the condition or on or before 31 December 2014 (or such other dates as the Company and the Purchaser may agree in writing)
“Connected Person”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the consideration of HK\$66,000,000 payable by the Purchaser to the Company for the Sale Shares pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser as contemplated under the Sale and Purchase Agreement
“Disposed Group”	Swift Profit and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Third Party”	a party which is independent of the Company and its Connected Persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“Purchaser”	Lucky East International Limited, a company incorporated in the British Virgin Islands
“Remaining Group”	the Company and its subsidiaries immediately after Completion
“Sale and Purchase Agreement”	the conditional agreement of sale and purchase of 9.9% of the entire issued shares in Swift Profit dated 4 June 2014 entered into between the Company as vendor and the Purchaser as purchaser in relation to the sale and purchase of the Sale Shares
“Sale Shares”	the 99 issued ordinary shares of US\$1.00 each in the share capital of Swift Profit, which represent 9.9% of the entire issued share capital of Swift Profit
“Share(s)”	ordinary share(s) of HK\$0.0005 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swift Profit”	Swift Profit International Limited, a company incorporated under the laws of British Virgin Islands with limited liability whose registered office is situate at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

By order of the Board  
**China Environmental Energy Investment Limited**  
**Chen Tong**  
*Chairman*

Hong Kong, 4 June 2014

*As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Chen Tong (Chairman), Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang and Ms. Li Lin; two non-executive Directors, namely Ms. Yao Zhengwei and Mr. Wang Zhenghua; and three independent non-executive Directors, namely Mr. Ong King Keung, Mr. Tse Kwong Chan and Ms. Zhou Jue.*

*The English text of this announcement prevails over the Chinese text in case of any discrepancy.*

\* *For identification purposes only*