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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
IN RELATION TO THE ACQUISITION OF THE ENTIRE
ISSUED SHARE CAPITAL OF ELITE HONEST INC.
AND ISSUE OF DEBT SECURITIES**

THE AGREEMENT

The Board is pleased to announce that, on 4 September 2015 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of HK\$30,000,000, which will be satisfied by the issue of the Promissory Note.

THE LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 4 September 2015 (after trading hours), the Company entered into the Agreement with the Vendor, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at the Consideration of HK\$30,000,000, which will be satisfied by the issue of the Promissory Note.

The principal terms of the Agreement are summarized as follows:–

THE AGREEMENT

Date

4 September 2015

Parties

- (i) Purchaser: the Company; and
- (ii) Vendor: Wong Him Shun Philip

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company.

Consideration

The Consideration is HK\$30,000,000, which will be settled by the issue of the Promissory Note upon Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Company with reference to, among other things, the valuation on the Subsidiary of HK\$30,000,000 as at 30 June 2015 prepared by an independent valuer by using market approach.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions precedent, among others:–

- (i) completion of the due diligence exercise on the Target Group to the reasonable satisfaction of the Company;
- (ii) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the respective parties to the Agreement (including but not limited to the necessary consent from the Stock Exchange, if any); and
- (iii) none of the warranties made by the Vendor under and other provisions of the Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or (in respect of any of the aforesaid warranties) is misleading or untrue in any material respect.

Each of the Company and the Vendor shall use their respective best endeavours to procure the fulfilment of all the Conditions. If all the Conditions shall not have been fulfilled or waived within thirty (30) days from the date of the Agreement, the Agreement shall be terminated forthwith (save for clauses relating to definitions and interpretations, costs and expenses, confidentiality, miscellaneous and governing law and jurisdiction) and each party to the Agreement shall have no liability to the other party save and except for any antecedent breaches of the terms thereof.

Profit Guarantee

The Vendor irrevocably and unconditionally warrants and guarantees to the Company that the audited net profit after tax of the Subsidiary for the financial years ended 31 December 2015 (“**2015 Audited Profit**”) and 2016 (“**2016 Audited Profit**”) shall be at least HK\$1,400,000 (“**2015 Guaranteed Profit**”) and HK\$2,800,000 (“**2016 Guaranteed Profit**”, together with 2015 Guaranteed Profit, the “**Total Guaranteed Profits**”) respectively.

(i) For the year ended 31 December 2015

In the event that the actual 2015 Audited Profit shall be less than 2015 Guaranteed Profit, the Vendor shall compensate the Company such sum by reducing the principal amount of the Promissory Notes (“**2015 Reduced PN Amount**”) calculated as follows:

$$= \text{Consideration} \times \frac{\text{2015 Guaranteed Profit}}{\text{Total Guaranteed Profits}} \times \frac{\text{2015 Guaranteed Profit} - \text{actual 2015 Audited Profit}}{\text{2015 Guaranteed Profit}}$$

After deducting 2015 Reduced PN Amount, if any, the Company shall redeem such amount of the outstanding principal amount of the Promissory Note calculated as follows prior to their maturity date in accordance with the terms and conditions of the Promissory Note:

$$= \text{Consideration} \times \frac{\text{2015 Guaranteed Profit}}{\text{Total Guaranteed Profits}} - \text{2015 Reduced PN Amount}$$

(ii) For the year ended 31 December 2016

In the event that the actual 2016 Audited Profit shall be less than 2016 Guaranteed Profit, the Vendor shall compensate the Company such sum by reducing the principal amount of the Promissory Notes (“**2016 Reduced PN Amount**”) calculated as follows:

$$= \text{Consideration} \times \frac{\text{2016 Guaranteed Profit}}{\text{Total Guaranteed Profits}} \times \frac{\text{2016 Guaranteed Profit} - \text{actual 2016 Audited Profit}}{\text{2016 Guaranteed Profit}}$$

After deducting 2016 Reduced PN Amount, if any, the Company shall redeem all of the remaining outstanding principal amount of the Promissory Note.

For avoidance of doubt, in the event that the actual 2015 Profit or the actual 2016 Profit is a negative figure, it shall be deemed as zero.

The actual 2015 Audited Profit and the actual 2016 Audited Profit shall be determined according to the audited financial statements of the Subsidiary for respective years (the “**Audited Statements**”), to be prepared in accordance with the HKFRS, shall be prepared and reported by the auditor nominated by the Company within 3 months after the said period or any other date as agreed by the Vendor and the Company.

The Company will make further announcement(s) on the performance of and any other material development of the profit guarantee as and when appropriate.

Completion

Completion shall take place on the Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group’s financial statement.

Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer:	The Company.
Principal amount:	HK\$30,000,000.
Maturity date:	the day falling on the expiry of second year from the date of issue of the Promissory Note (the “ Maturity Date ”).
Interest:	8% per annum.

Transferability: The holder of the Promissory Note may freely assign or transfer the Promissory Note whether in whole or in part to any person (other than a connected person of the Company or any person regarded as a resident of Bermuda) provided that a duly completed transfer form in respect of the transfer shall be served on the Company.

Early Redemption: The Company may redeem principal amounts of outstanding Promissory Note in whole or in part at any time before the Maturity Date. The holder of the Promissory Note may not redeem the Promissory Note prior to the Maturity Date save and except in the occurrence of an event of default set out below.

Event of default: The Promissory Note contains certain events of default, including, among others:

- (i) any failure to pay the principal and interest of the Promissory Note when due and such failure continues for a period of ten (10) Business Days;
- (ii) any default made by the Company in the performance or observance of any undertaking, warranty or representation given by it under the terms of the Promissory Note Instrument (other than the covenant to pay the principal and interest in respect of the Promissory Note) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within thirty (30) Business Days of service by any holder of the Promissory Note on the Company of notice requiring such default to be remedied;

- (iii) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction;
- (iv) proceedings shall have been initiated against the Company under any applicable bankruptcy, authorization or insolvency law, and such proceedings shall not have been discharged or stayed within thirty (30) Business Days thereafter in relation to the jurisdiction concerned;
- (v) it is or becomes unlawful for the Company to perform or comply with any of its obligations under the Promissory Note Instrument or any Promissory Note, or due to no fault on the part of any holder of the Promissory Note any such obligation is not or ceases to be enforceable or is claimed by the Company not to be enforceable;
- (vi) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Promissory Note or the Promissory Note Instrument, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Promissory Note or the Promissory Note Instrument admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the requisite time;

(vii) any breach of the representations, warranties and undertakings made by the Company to the holder(s) of the Promissory Note; or

(viii) any event occurs which has an analogous effect to any of the events above.

If any event of default pursuant to the terms and conditions of the Promissory Note Instrument occurs, the holder of the Promissory Note shall be entitled to serve a notice on the Company and demand the Promissory Note to become due and payable immediately in whole or in part and be entitled to redeem the Promissory Note.

Status:

The Promissory Note constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

Listing of the
Promissory Note:

No application will be made for the listing of the Promissory Note on the Stock Exchange.

The Directors are of the view that the terms of the Promissory Note are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in BVI with limited liability and is authorised to issue a maximum of 50,000 ordinary shares of US\$1 each, of which 1 ordinary share has been issued and fully paid-up. The Target Company is an investment holding company and its major asset is the entire equity interest in the Subsidiary.

The Subsidiary is a company incorporated in Hong Kong with limited liability with the total amount of paid-up share capital of HK\$100. The Subsidiary is principally engaged in the business of trading of gold and diamond.

Set out below are financial information of the Subsidiary for the financial years ended 31 December 2013 and 2014 as prepared in accordance with the HKFRS:

	For the financial year ended	
	31 December	
	2013	2014
	(audited)	(audited)
Net profit/(loss) before taxation and extraordinary items	HK\$(90,578)	HK\$270,270
Net profit/(loss) after taxation and extraordinary items	HK\$(90,578)	HK\$225,676

The net assets of the Subsidiary as at 30 June 2015 according to its unaudited management accounts were approximately HK\$1,120,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the businesses of waste paper, scrap metal and consumable wastes recycling and online products sales, provision of web maintenance services and marketing services.

The Directors are of the view that the Acquisition provides a prime opportunity for the Group to enter into the trading of gold and diamond industry, being a new business segment to the Group, and the Group is expected to be benefited from diversifying its revenue stream which is expected to increase the Shareholders' value and benefit the Company and the Shareholders as a whole.

The Group recorded loss for the latest three consecutive financial years ended 31 March 2015 while the Subsidiary recorded a net profit for the latest financial year ended 31 December 2014. Should the Subsidiary sustain its profitability and meet the Guaranteed Profit in the future, the Acquisition is expected to have positive impact on the Group's earnings in the coming future.

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

THE LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the purchase of the Sale Share by the Company from the Vendor pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 4 September 2015 and entered into by the Company and the Vendor in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	China Environmental Energy Investment Limited (中國環保能源投資有限公司), a company incorporated in Bermuda whose shares are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the provisions of the Agreement
“Completion Date”	within 7th Business Days after the fulfillment or waiver of the Conditions or such other date as the Company and the Vendor may agree in writing
“Consideration”	HK\$30,000,000, being the consideration for the Acquisition
“Conditions”	the conditions set out under the Agreement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Listing Rule”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons
“Promissory Note”	the promissory note of a principal amount of HK\$30,000,000 at 8% interest rate to be issued by the Company to the Vendor pursuant to the Agreement
“Promissory Note Instrument”	the instrument constituting the Promissory Note to be executed by the Company on the Completion Date
“Sale Share”	1 issued and fully-paid ordinary share of US\$1.00 each in the capital of the Target Company, representing the entire share capital of the Target Company
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 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
“Subsidiary”	H & S CREATION LIMITED, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company

“Target Company”	ELITE HONEST INC., a company incorporated in BVI with limited liability
“Target Group”	the Target Company and the Subsidiary
“Vendor”	Wong Him Shun Philip, the registered and beneficial owner of the Sale Share
“HK\$”	Hong Kong dollar, 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 September 2015

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Chen Tong (Chairman) and Mr. Xiang Liang; and three independent non-executive Directors, namely Ms. Zhang Ruisi, Mr. Tse Kwong Chan and Ms. Zhou Jue.

* *For identification purposes only*