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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  
STI SECURITIES & WEALTH MANAGEMENT LIMITED**

**THE AGREEMENT**

The Board is pleased to announce that, on 16 November 2015 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company entered into the Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$16,914,035 subjected to the terms and conditions of the Agreement, which will be satisfied by cash and the Guarantor agreed to guarantee the performance of the Purchaser's obligations under the Agreement.

**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**

Reference is made to the announcement of the Company dated 13 October 2015 in relation to the non-legal binding MOU signed by the Purchaser and the Vendor, in relation to the possible acquisition of a company which is licensed under the SFO to carry on the regulated activities of dealing in securities, advising on securities and asset management.

The Board is pleased to announce that, on 16 November 2015 (after trading hours), the Purchaser, a wholly owned subsidiary of the Company entered into the Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$16,914,035, which will be satisfied by cash and the Guarantor agreed to guarantee the performance of the Purchaser's obligations under the Agreement.

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

## **THE AGREEMENT**

### **Date**

16 November 2015

### **Parties**

- (i) Purchaser: Gold Castle Group Limited;
- (ii) Guarantor: the Company; and
- (iii) Vendor: STI Financial Group Limited

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor (including its ultimate beneficial owner) is an Independent Third Party.

## **Assets to be acquired**

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

## **Consideration**

The Consideration is HK\$16,914,035 which is subjected to adjustment and represent a premium of HK\$13,000,000 and the net asset value of the Target Company of HK\$3,914,035 as at 30 September 2015 of the Target Company, which will be settled in cash by the Group in the following manners:–

- (i) HK\$1,300,000, being refundable deposit has been paid by the Purchaser and kept in Escrow Account by the Escrow Agent on 16 October 2015 (“**First Deposit**”);
- (ii) HK\$2,600,000, being refundable second deposit, shall be paid to the Escrow Agent and kept in Escrow Account within three business days from the date of the Agreement (“**Second Deposit**”); and
- (iii) HK\$13,014,035, being the balance of the Consideration prior to adjustment, shall be payable in cash or other means as agreed by the Purchaser and the Vendor upon Completion.

If the Final Consideration Amount falls below the amount of Consideration, the Vendor shall pay the Purchaser a sum equal to the amount of the shortfall within seven (7) days after the determination of the Final Consideration Amount.

If the Final Consideration Amount exceeds the amount of Consideration, the Purchaser shall pay the Vendor a sum equal to the amount of the excess (“**Excess Amount**”) within seven (7) days after the determination of the Final Consideration Amount provided that Excess Amount shall not be more than HK\$1,000,000.

Each of the Vendor and the Purchaser agrees to give, as soon as the right of either of the parties to receive the Deposits (or part thereof) as provided above shall have arisen and insofar as necessary, instructions to the Escrow Agent instructing the release or payment of the Deposits to the person to whom it should be released or paid in accordance with the relevant paragraph aforesaid.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor, with reference to the (i) unaudited net asset value of the Target Company as at 30 September 2015; and (ii) a premium with reference to other comparables offer in the market.

### **Completion Accounts**

As soon as practicable after Completion, the Vendor shall prepare the Completion Accounts within 30 days after Completion to determine the final consideration amount ("**Final Consideration Amount**") which is equal to the sum of net asset value of the Target Company and the premium of HK\$13,000,000 whereas net asset value of the Target Company as at the date of the Completion Accounts is equal to all the asset value of the Target Company reflected in the Completion Accounts (including all account receivables and commission receivables due from suppliers or accounting items of similar nature in relation to all business activities engaged by the Company prior to Completion) minus all the liabilities reflected in the Completion Accounts and any assets of the Target Company that the Purchaser considers unacceptable ("**Unacceptable Assets**") subject to the Excess Amount. The Purchaser shall procure the Target Company to transfer the Unacceptable Assets to the Vendor free of charge as soon as possible. For the avoidance of doubt, the finalisation of the Completion Accounts is subject to the agreement by the Vendor and the Purchaser.

The Completion Accounts shall be prepared on a going concern basis and in accordance with the generally accepted accounting principles and standards in Hong Kong. The preparation of the Completion Accounts shall also be consistent with the relevant financial return submitted to the SFC (if the date selected for determining the Final Consideration Amount coincides with a month end date) or otherwise the financial return of the preceding month submitted to the SFC.

Within 5 business days starting on the date immediately after the Purchaser receives the first draft copy of the Completion Accounts (the expiry of this period being the "**Response Date**"), the Purchaser may serve notice on the Vendor stating whether or not it agrees with the first draft copy of the Completion Accounts and in the case of a disagreement stating the reasons for the disagreement in reasonable detail ("**Disagreement Notice**"). If the Purchaser gives a Disagreement Notice on or before the Response Date, the Vendor and the Purchaser shall attempt in good faith to reach agreement in respect thereof and, if they are unable to do so within 10 business days after the Response Date, either the Vendor or the Purchaser may by notice to the other refer the matters in dispute to an Independent Accountant.

The Independent Accountant shall act as an expert and not as an arbitrator and his determination of any matter falling within his jurisdiction shall be final and binding on the Parties save in the event of manifest error (when the relevant part of his determination shall be void and the matter shall be remitted to the Independent Accountant for correction).

If no Disagreement Notice is served on or before the Response Date, the first draft copy of the Completion Accounts for the purpose of determination of the Final Consideration Amount shall be final and binding on the parties subject to the clauses in relation to Final Consideration Amount.

### **Conditions precedent**

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

- (A) (if required under the SFO) the approval of the SFC of the Purchaser (and its beneficial owners) to become substantial shareholder(s) of the Target Company arising from the sale of Sale Shares under the SFO;
- (B) the Purchaser having notified the Vendors in writing that the Purchaser is fully satisfied with the result of the due diligence review provided that such notification shall not prejudice in any manner whatsoever any of the Purchaser's right in respect of a claim under the warranties;
- (C) the warranties, given under the Agreement remaining true and correct; and
- (D) such other consents and approval, whether of regulatory authorities (including those required by any of the Regulators or under the laws and regulations administered by the Regulators) or otherwise of the transactions contemplated by the Agreement being obtained; and if conditions are imposed for the grant of any such consents or approvals that such conditions are reasonably acceptable to the Parties.

The Purchaser may waive all or any of the aforesaid Conditions specified except for Condition (A) on or before the Long Stop Date.

Each of the Purchaser and the Vendor shall use their respective reasonable endeavours to procure the fulfilment of all the aforesaid Conditions in any event not later than the Long Stop Date. In particular, the Vendor agreed to use its reasonable endeavours to assist the Purchaser in making its application for obtaining the approval required under Substantial Shareholder Application (including performing such acts and things, and executing and delivering such documents as may be reasonably required by the Purchaser).

### **Termination**

If all the Conditions specified in condition precedent have not been satisfied or waived on the Long Stop Date, then:–

- (i) if the Substantial Shareholder Application has not been approved by the SFC and SFC has indicated that the reason for not giving the approval lies on the fault of the Purchaser, the Vendor is entitled to forfeit the sum of HK\$1,950,000 out of the Deposits and the remaining balance of the Deposits after the said forfeiture (which should be HK\$1,950,000) should be refunded to the Purchaser and the Vendor and the Purchaser shall give instructions to the Escrow Agent to effect the aforesaid transfers of funds within five business day; and
- (ii) in any other case, all the Deposits shall be refunded to the Purchaser and the Vendor and the Purchaser shall give instructions to the Escrow Agent to effect the aforesaid refund of fund within five business days;

the Agreement other than those clauses which should survive the termination of the Agreement, shall lapse and have no further effect and the Parties shall be released from all obligations under it other than obligations under the aforesaid surviving clauses.

If at any time at or before Completion the Purchaser becomes aware of any fact or event circumstance which in its opinion:

- (A) is or is reasonably likely to be or become at or before Completion, a material breach of the warranties or any other material obligation of the Vendor pursuant to the Agreement;  
or
- (B) would reasonably be likely to cause a material adverse change in the business or prospects of the Target Company,

then the Purchaser may, by written notice given by it or on its behalf to the Vendor or to the Vendor's solicitors, elect to rescind the Agreement and obtain the refund of the Deposits without prejudice to its remedies against the Vendor.

### **Due Diligence Review**

The Purchaser is entitled (but not obliged) to carry out the due diligence review and investigation on the Sale Shares and the Target Company including without limitation to its assets, liabilities, contracts, commitments, business, financial, legal, regulatory and taxation aspects for a period of 30 calendar days after the date of the Agreement (“**Due Diligence Review**”).

For the purpose of the Due Diligence Review, the Vendor shall give or procure the Target Company to give, promptly on request, to the Purchaser, its agents, representatives and professional advisers all such assistance and information regarding the business, assets, liabilities, contracts, affairs of the Target Company including without limitation the regulatory matters relating to the Target Company.

### **Guarantee and indemnity**

Pursuant to the Agreement, the Guarantor agreed to guarantee the due and punctual performance and observance by the Purchaser of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Agreement and indemnify any breach by the Purchaser of such obligations, commitments, warranties, undertakings, indemnities or covenants without any default of the Vendor.

### **Completion**

Subject to the satisfaction or waiver of conditions precedent, completion shall take place on the Completion Date or at such other time and place as may be agreed between the Parties.

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

## **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in Hong Kong with limited liability with an issued and paid up share capital of HK\$7,000,000 divided into 7,000,000 ordinary shares. The Target Company is a licensed corporation to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO.

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

	<b>For the financial year ended</b>	
	<b>31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>(audited)</i>	<i>(audited)</i>
Net loss before taxation and extraordinary items	HK\$(148,464)	HK\$(878,709)
Net loss after taxation and extraordinary items	HK\$(148,464)	HK\$(878,709)

The net assets of the Target Company as at 30 September 2015 according to its unaudited management accounts were approximately HK\$3,914,035.

## **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 Target Company is a licensed corporation to carry out Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO.

In order to diversify the business of the Group for maximizing returns to the Shareholders, the Group has been actively seeking various investment opportunities. The Directors are of the view that the Acquisition provides a prime opportunity for the Group to enter into financial services 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 its shareholders' value and benefit the Company and its shareholders as a whole.

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 but exempted from the shareholder's approval requirement 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 Shares by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the conditional sale and purchase agreement dated 16 November 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 (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning 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 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 generally open for business
“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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Agreement
“Completion Accounts”	the management accounts (including balance sheet and profit and loss account together with all notes, reports, statements and other documents annexed to those accounts) made up to the Completion Date or any other date as agreed between the Purchaser and the Vendor
“Completion Date”	the date which is the seventh business day (excluding Saturday) after the date on which the conditions set out in Condition are satisfied or waived, or the Extended Completion Date, or such other date as the Vendor and the Purchaser may agree
“Consideration”	HK\$16,914,035 (subject to adjustment) being the consideration for the Acquisition
“Condition(s)”	the condition(s) set out under the Agreement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposits”	collectively the First Deposit and the Second Deposit
“Director(s)”	director(s) of the Company
“Escrow Account”	a bank account for holding First Deposit and Second Deposit which is operated by the Escrow Agent
“Escrow Agent”	the escrow agent appointed by the Parties for the purpose of operating the Escrow Account, namely, Messrs. Patrick Mak & Tse, Solicitors
“Guarantor”	the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2016 or any other later day as agreed by the Vendor and Purchaser
“Group”	the Company and its subsidiaries
“HKCIB”	the Hong Kong Confederation of Insurance Brokers
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administration Region of The People’s Republic of China

“Independent Accountant”	the independent accountant engaged jointly by the Vendor and the Purchaser and its fees shall be borne equally between the Vendor and the Purchaser and such independent accountant shall be either (i) an independent firm of accountants agreed between the Vendor and the Purchaser; or (ii) in the absence of agreement as to the identity of such independent firm within 5 business days of either the Vendor or the Purchaser notifying the other of its wish to appoint an independent firm, a specific independent firm of accountants to be nominated on the application of either the Vendor or the Purchaser by the President of the Hong Kong Institute of Certified Public Accountants for the time being
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons
“MOU”	the memorandum of understanding dated 13 October 2015 between the Purchaser and the Vendor in relation to the possible acquisition of the Target Company
“MPFA”	The Mandatory Provident Fund Schemes Authority
“Parties”	collectively the Purchaser, the Guarantor and the Vendor
“Purchaser”	Gold Castle Group Limited, a wholly owned subsidiary of the Company
“Regulator(s)”	HKCIB, MPFA and/or SFC

“Sale Shares”	7,000,000 issued and fully-paid ordinary share in the capital of the Target Company, representing the entire share capital of the Target Company
“SFC”	The Securities and Futures Commission or any other body which assumes in whole or in part the powers and functions of the Securities and Futures Commission under the SFO
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any subsidiary legislation made thereunder amended, consolidated or substituted from time to time
“Share(s)”	ordinary share(s) 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
“substantial shareholder(s)”	has the meaning ascribed to it under the SFO
“Substantial Shareholder Application”	the approval of the SFC of the Purchaser (and its beneficial owners) to become substantial shareholder(s) of the Target Company arising from the sale of Sale Shares under the SFO
“Target Company”	STI Securities & Wealth Management Limited, a company incorporated in Hong Kong with limited liability

“Vendor”

STI Financial Group Limited, a company incorporated in the British Virgin Islands, the registered and beneficial owner of the Sale Shares

“%”

percentage

By Order of the Board

**China Environmental Energy Investment Limited**

**Chen Tong**

*Chairman*

Hong Kong, 16 November 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*