

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

The Company's failure to comply with the announcement, circular and prior shareholders' approval requirements of the Exchange Listing Rules has deprived the investors of their right to the timely receipt of information in relation to the Company's major transactions, and for shareholders, their right to vote on those transactions before they were entered into by the Company. The transactions in this case were not part of the Company's ordinary and usual course of business. Such failure has a negative impact on market integrity and investors' confidence in our securities market.

It is important that due consideration is given to the Company's compliance with the Exchange Listing Rules before a transaction is entered into.

To ensure they can fulfil their duties, directors are expected to participate in continuous professional training to develop and refresh their knowledge and skills.

The Exchange takes non-compliance with the Exchange Listing Rules seriously and will take action against issuers and directors who breach their obligations and duties.

The Listing Committee of The Stock Exchange of Hong Kong Limited ("Listing Committee")

CRITICISES:

- (1) **China Environmental Energy Investment Limited ("Company")** (Stock Code: 986)

for breaching Rules 14.34, 14.38A, 14.40 and 14.41 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("**Exchange Listing Rules**") for failing to comply with the announcement, circular and prior shareholders' approval requirements in relation to certain share transactions;

FURTHER CRITICISES:

- (2) **Ms Chen Tong ("Ms Chen")**, current executive director ("**ED**"), Chairman and Chief Executive Officer of the Company; and

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(3) **Mr Xiang Liang** (“**Mr Xiang**”), current ED of the Company,

for breaching their obligations under the *Declaration and Undertaking with regard to Directors* given to The Stock Exchange of Hong Kong Limited (the “**Exchange**”) in the form set out in Appendix 5B to the Exchange Listing Rules (the “**Undertaking**”) for failing to use their best endeavours to procure the Company’s compliance with the Exchange Listing Rules.

For the avoidance of doubt, the Exchange confirms that the sanctions and directions in this news release apply only to the Company, Ms Chen and Mr Xiang, and not to any other past or present members of the board of directors of the Company.

SETTLEMENT

As a consequence of settlement:

- (a) the Company admits its breach of the Listing Rules as described above; and
- (b) Ms Chen and Mr Xiang admit their breaches of the Undertakings to the Exchange as described above.

The Company, Ms Chen and Mr Xiang accept the respective sanctions imposed on them by the Listing Committee as set out below.

FACTS

This case involves the Company’s failure to comply with the Exchange Listing Rules in relation to the following share transactions (together, the “**Share Transactions**”):

- (a) On 20 July 2016, the Company acquired a total of 17,840,000 shares in Luen Wong Group Holdings Limited (Stock Code: 8217) on the market for a total consideration of HK\$124,465,800.
- (b) On 20 and 21 July 2016, the Company disposed of a total of 817,030,000 shares in China Jicheng Holdings Limited (Stock Code: 1027) on the market for a total consideration of HK\$176,269,580.

Trading in shares was not in the ordinary and usual course of the Company’s business, and the Share Transactions constituted major transactions of the Company. The Company did not comply with the announcement, circular and prior shareholders’ approval requirements pursuant to Chapter 14 of the Exchange Listing Rules prior to each of the Share Transactions.

Ms Chen and Mr Xiang were delegated with the power for the investment of shares, and therefore were the only directors of the Company who were aware of the Share Transactions. Ms Chen and Mr Xiang did not prepare or procure a size test for each of the Share Transactions, which resulted in the Company’s breaches of the Exchange Listing Rules.

The Company disclosed the Share Transactions in its announcement dated 18 August 2016 and admitted its breaches of the Exchange Listing Rules. A circular was published by the Company on 22 September 2016, and the Share Transactions were ratified by the Company's shareholders on 11 October 2016.

During the investigation by the Listing Department, it was revealed that Ms Chen and Mr Xiang have not had any formal training in relation to Chapter 14 of the Exchange Listing Rules within the past two years, apart from receiving regular updates from the company secretary on regulatory developments and reading publications in relation to financial reporting, investment and corporate management.

Exchange Listing Rule Requirements

The Share Transactions were subject to the following requirements of the Exchange Listing Rules:

- (a) Rule 14.34 provides that a listed issuer must inform the Exchange and publish an announcement as soon as possible after the terms of a major transaction have been finalised.
- (b) Rules 14.38A and 14.41 provide that a listed issuer which has entered into a major transaction must send a circular to its shareholders.
- (c) Rule 14.40 provides that a major transaction must be made conditional on approval by shareholders.

Ms Chen and Mr Xiang were under an obligation, pursuant to their respective Undertakings, to comply to the best of their ability with the Exchange Listing Rules and to use their best endeavours to procure the Company's compliance with the Exchange Listing Rules.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee considered the written submissions of the Listing Department, and the written confirmations of the Company, Ms Chen and Mr Xiang, and concluded as follows:

Company's breaches

The Listing Committee noted that the Company admitted that it had breached Rules 14.34, 14.38A, 14.40, and 14.41 and found that the Company did breach these Rules by failing to comply with the announcement, circular and prior shareholders' approval requirements in respect of the Share Transactions.

Ms Chen and Mr Xiang's breaches

The Listing Committee concluded that Ms Chen and Mr Xiang breached their respective Undertakings for failing to use their best endeavours to procure the Company's compliance with the Exchange Listing Rules:

- (a) Ms Chen and Mr Xiang were the only two directors who were aware of and approved the Share Transactions.
- (b) Ms Chen and Mr Xiang failed to prepare or procure a size test in respect of the Share Transactions, which suggests that they had not thoroughly considered the Listing Rule implications prior to their approval and the completion of the Share Transactions.
- (c) It would have been reasonable for Ms Chen and Mr Xiang to have noticed the difference in the monetary values of the Share Transactions compared to the Company's previous share transactions, which would have alerted them to the possibility that the Share Transactions were over the major transaction threshold.
- (d) By reason of the conduct of Ms Chen and Mr Xiang, the Company had breached Rules 14.34, 14.38A, 14.40, and 14.41.

REGULATORY CONCERN

This matter gives rise to a number of concerns over the Company's corporate governance and Ms Chen and Mr Xiang's ability to procure the Company's compliance with the Exchange Listing Rules:

- (1) Chapter 14 imposes clearly defined and unambiguous obligations on issuers, which are designed to safeguard and protect investors, as they rely on information in the public domain to make their investment decisions.
- (2) Where required under the Exchange Listing Rules, shareholders' approval should be sought before the subject transaction is entered into. In this case, the Share Transactions are not part of the Company's ordinary and usual course of business for which shareholders' money had been invested. Ratification by shareholders cannot be expected.
- (3) The Company's failure to comply with the announcement, circular and prior shareholders' approval requirements of the Exchange Listing Rules has deprived the Company's investors of their right to the timely receipt of information in relation to the Share Transactions, and for the Company's shareholders, their right to vote on those transactions before they were entered into by the Company. Such a right is reserved to the shareholders under the Exchange Listing Rules.
- (4) The Listing Committee are concerned about the competence of Ms Chen and Mr Xiang to identify notifiable transactions, as well as the lack of recent training by Ms Chen and Mr Xiang on the Exchange Listing Rules. As set out in paragraph 6.5 of Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report), all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

SANCTIONS

Having made the findings of breach stated above, the Listing Committee decides to:

- (1) criticise the Company for its breach of Rules 14.34, 14.38A, 14.40 and 14.41; and
- (2) criticise Ms Chen and Mr Xiang for their breach of Undertakings.

The Listing Committee further directs:

- (3) Ms Chen and Mr Xiang to (a) attend 24 hours of training (the “**Training**”) on Exchange Listing Rule compliance, director’s duties, including 4 hours of training on notifiable and connected transactions, provided by institutions such as the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors or other course providers approved by the Listing Department, such Training to be completed within 90 days from the publication of this news release; and (b) provide the Listing Department with the Training provider’s written certification of full compliance within two weeks after Training completion.
- (4) The Company is to publish an announcement to confirm that the above direction has been fully complied with within two weeks after Training completion.
- (5) The Company is to submit a draft announcement referred to above for the Listing Department’s comment and may only publish the announcement after the Listing Department has confirmed it has no further comment on it.
- (6) Following the publication of this news release, any changes necessary and any administrative matters which may emerge in the management and operation of any of the directions set out in paragraphs (3) to (5) above are to be directed to the Listing Department for consideration and approval. The Listing Department should refer any matters of concern to the Listing Committee for determination.

Hong Kong, 29 September 2017