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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)

**MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF
23.53% ISSUED SHARE CAPITAL OF
PURE POWER HOLDINGS LIMITED**

THE DISPOSAL

Reference is made to the Company's announcement dated 28 May 2018 in relation to the possible disposal of the Disposed Company.

On 21 June 2018 (after trading hours), the Company, as vendor, and the Purchaser entered into the SPA, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sales Shares at the Consideration of HK\$106,000,000 payable by the Purchaser in accordance with the terms and conditions of the SPA.

THE LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

GENERAL

A SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the SPA and the transactions contemplated thereunder, (ii) other information as required under the Listing Rules and (iii) the notice of the SGM is expected to be despatched to the Shareholders on or before 13 July 2018.

As Completion is subject to the fulfillment or, if applicable, waiver of a number of conditions precedent which are detailed in this announcement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

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On 21 June 2018 (after trading hours), the Company, as vendor, and the Purchaser entered into the SPA, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sales Shares at the Consideration of HK\$106,000,000 payable by the Purchaser in accordance with the terms and conditions of the SPA. Details of the SPA are set out below: –

The SPA

The principal terms and conditions of the SPA are as follows: –

Date

21 June 2018

Parties

- (i) the Company
- (ii) the Purchaser

The Purchaser is an investment holding company incorporated in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties as at the date of this announcement.

Assets to be disposed

Pursuant to the SPA, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, being 2,000 ordinary shares in the issued share capital of the Disposed Company, representing approximately 23.53% of the entire issued share capital in the Disposed Company.

Detailed information of the Disposed Group is included under the section headed “Information on the Disposal Group” in this announcement.

Consideration

Pursuant to the SPA, the Consideration of HK\$106,000,000 shall be settled by cash in the following manner:

- (a) the Earnest Money has been paid by the Purchaser which shall form part of the Consideration;
- (b) the first instalment in the sum of HK\$3,000,000 shall be paid within 5 days from the date of the SPA;
- (c) the second instalment in the sum of HK\$3,000,000 shall be paid on or before 31 July 2018;
- (d) the third instalment in the sum of HK\$2,000,000 shall be paid on or before 31 August 2018; and
- (e) the balance of Consideration in the sum of HK\$96,000,000 shall be paid within 1 month after the date of Completion.

Basis of the Consideration

The Consideration was determined among the company and the Purchaser after arm’s length negotiations and on normal commercial terms, taking into account the fair value of the Group’s interest in the Oil & Gas Leases held by the Project Company.

In view of the above, the Board considers that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled:

- (a) all 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 SPA having been obtained by the respective parties to the SPA (including but not limited to the necessary consent from the Stock Exchange, if any);
- (b) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules and the applicable laws, rules and regulations) in general meeting of the Company to approve, inter alia, in accordance with the requirements of the Listing Rules and the applicable laws and regulations, the SPA and the transactions contemplated therein or incidental to the SPA;
- (c) the compliance of any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance by the Company or the Disposed Company at any time prior to Completion in relation to the transactions contemplated under the SPA and the uninterrupted continuation of the current rights and business of the Disposed Company after Completion; and
- (d) all third party consents and waivers required to be obtained by the Company or the Disposed Company having been obtained in connection with the transactions contemplated under the SPA.

None of the conditions above can be waived. If all the above conditions shall not have been fulfilled within six (6) months from the date of the SPA, the SPA shall be terminated forthwith, whereupon the Company shall return the Earnest Money and all instalments paid by the Purchaser to the Purchaser and each party to the SPA shall have no liability to the other party save and except for any antecedent breaches of the terms in the SPA.

Completion

Completion shall take place on the first Business Day after the date on which all the above conditions are fulfilled or such other date as the parties to the SPA may agree in writing.

INFORMATION ON THE DISPOSAL GROUP

The Disposed Company

The Disposed Company is an investment holding company incorporated in the British Virgin Islands on 1 April 2010 with limited liability. As at the date of this announcement, the Company owns 4,200 ordinary shares of US\$1.00 each in the issued share capital of the Disposed Company, representing approximately 49.41% of the entire issued share capital of the Disposed Company.

The Project Company

The Project Company is a company incorporated in Nevada on 15 June 2010 with limited liability and is wholly owned by the Disposed Company. As at the date of this announcement, the principal assets of the Project Company are the Oil & Gas Rights under the Oil & Gas Leases.

The Project Company is principally engaged in the exploration and exploitation of natural resources in U.S.. The Project Company's leasehold interest in the Oil & Gas Leases entitles the Project Company to receive 100% of the oil and gas (except helium) produced under the Oil & Gas Leases, subject to outstanding royalties.

Upon Completion, the Company will be effectively interested in approximately 25.88% of the entire issued share capital of the Project Company through the Disposed Company, and the Disposed Company will remain as an associated company of the Company.

Financial information on the Disposal Group

The Disposal Group comprises the Disposed Company which in turn holds 100% equity interest in the Project Company. Each of their financial information are illustrated below separately.

As at 31 March 2018, the unaudited net assets of the Disposed Company and the Project Company were approximately US\$8,500 (equivalent to approximately HK\$66,000) and US\$47,575,000 (equivalent to approximately HK\$368,706,000) respectively.

The Disposed Company did not record any revenue nor profit/loss (both before and after tax) for the years ended 31 March 2017 and 2018.

Set out below is a summary of the unaudited financial information on the Project Company for the years ended 31 March 2017 and 2018:

	For the year ended		For the year ended	
	31 March 2017		31 March 2018	
	US\$	(HK\$ equivalent)	US\$	(HK\$ equivalent)
Net loss before tax	(842,658)	(6,531,000)	(756,328)	(5,862,000)
Net loss after tax	(842,658)	(6,531,000)	(756,328)	(5,862,000)

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Based on the unaudited net asset value of the Disposal Group as at 31 March 2018, it is estimated that the Group will record a gain of approximately HK\$10,876,000 (before tax) from the Disposal after deducting the expenses attributable to the Disposal of approximately HK\$700,000. Shareholders should note that the actual amount of the gain or loss (as the case may be) on the Disposal to be recognized in the consolidated financial statements of the Company depends on the net asset value of the Disposal Group attributable to the Company as at the date of Completion and therefore may be different from the amount mentioned above.

Upon Completion, the Disposed Company will remain as an associated company of the Company.

Upon Completion, the gross and net proceeds that arise from the Consideration from the Disposal will be approximately HK\$106,000,000 and HK\$105,300,000 respectively. The Board intends to apply the net proceeds from the Disposal for the general working capital of the Group, financial services business, money lending business and/or acquisition purpose if opportunity arises.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the businesses of online products sales, provision of marketing, web design and maintenance services, trading and sale of gold and diamond, provision of loans as money lending and provision of financial advisory and intermediary services.

The Board is considering to streamline the principal activities of the Group and it is in the interest of the Company as a whole to focus its resources in pursuing development opportunities on the principal business of the Group. While the retention of 25.88% interest in the Disposed Company will enable the Group to capture investment returns in the energy sector. Hence, the entering into of the SPA is in line with the strategy of the Group as mentioned above.

The Directors consider that the Disposal contemplated by the SPA are on normal commercial terms and the terms of the SPA are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

A SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the SPA and the transactions contemplated thereunder. As at the date of this announcement, no Shareholder is materially interested in the transactions contemplated under the SPA, no Shareholder is therefore required to abstain from voting in respect of the proposed ordinary resolution(s) to approve the SPA and the transactions contemplated thereunder at the SGM.

GENERAL

A circular containing, among other things, (i) further details of the SPA and the transactions contemplated thereunder, (ii) other information as required under the Listing Rules and (iii) the notice of the SGM is expected to be despatched to the Shareholders on or before 13 July 2018.

As Completion is subject to the fulfilment of a number of conditions precedent, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“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
“Company”	China Environmental Energy Investment Limited (Stock code: 986), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange

“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of HK\$106,000,000 payable by the Purchaser to the Company for the Disposal pursuant to the SPA
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the SPA
“Disposal Group”	the Disposed Company and the Project Company
“Disposed Company”	PURE POWER HOLDINGS LIMITED, a company incorporated in the British Virgin Islands with limited liability and an associated company of the Company
“Earnest Money”	HK\$2,000,000 paid by the Purchaser to the Company as earnest money under the memorandum of understanding between the Company and the Purchaser dated 28 May 2018
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Part(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nevada”	the State of Nevada, U.S.
“Oil & Gas Leases”	three federal oil and gas leases with respective serial numbers NVN86605, NVN86657 and NVN86778 originally issued by U.S. and administered by the Bureau of Land Management of the Nevada State Office of U.S. and each carries a term of 10 years from 1 February 2009, 1 March 2009 and 1 April 2009 respectively, that entitle their holders the exclusive right to drill for, mine, extract, remove and dispose of all oil and gas (except helium) in parcels of lands in Nevada, subject to renewal or extension in accordance with the appropriate authority

“Oil & Gas Rights”	the exclusive right under the Oil & Gas Leases to drill for, mine, extract, remove and dispose of all oil and gas (except helium) in parcels of lands in Nevada
“Purchaser”	HONGKONG DRAGON WELL CO., LIMITED, a company incorporated in Hong Kong
“Project Company”	Bright Sky Energy & Minerals, Inc., a company incorporated in Nevada on 15 June 2010 with limited liability
“Sale Shares”	2,000 ordinary shares of US\$1.00 each in the issued share capital of the Disposed Company, representing approximately 23.53% of the entire issued share capital of the Disposed Company as at the date of the SPA
“SGM”	the special general meeting of the company to be held for the purpose of considering and, if thought fit, approving the SPA and the transactions contemplated thereunder
“Shareholders”	shareholders of the Company
“SPA”	the sale and purchase agreement in respect of the sale and purchase of 23.53% of the entire issued share capital of the Disposed Company dated 21 June 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America
“%”	per cent.

By Order of the Board
China Environmental Energy Investment Limited
Zhou Yaying
Chairman

Hong Kong, 21 June 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Ms. Zhou Yaying, Mr. Wei Liang, Mr. Tang Wing Cheung Louis and Ms. Hong Jingjuan; and three independent non-executive Directors, namely Mr. Tse Kwong Chan, Mr. Yiu To Wa and Mr. Lau Leong Yuen.

In case of inconsistency, the English text of this announcement shall prevail over the Chinese text.

* For identification purposes only