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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)

**(I) PLACING OF NEW SHARES UNDER GENERAL MANDATE;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF
EIGHT RIGHTS SHARES FOR EVERY ONE
EXISTING SHARE HELD ON THE RECORD DATE
AT HK\$0.195 PER RIGHTS SHARE;
(III) CHANGE IN BOARD LOT SIZE; AND
(IV) RESUMPTION OF TRADING**

**Placing Agent of the Share Placing and
Underwriter of the Rights Issue**



永鋒證券有限公司

WIN FUNG SECURITIES LIMITED

香港聯合交易所有限公司參與者

Win Fung Securities Limited

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 12 November 2014 (after trading hours), the Company and the Placing Agent have entered into the Share Placing Agreement pursuant to which the Placing Agent has conditionally agreed to place up to 48,190,489 new Shares on a best effort basis at the Placing Price of HK\$0.97 per Placing Share. The Company will bear the costs and expenses in connection with the Share Placing and the net proceeds from the Share Placing is estimated to be approximately HK\$46.28 million (assuming the Placing Shares are fully placed).

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$375.89 million and not more than approximately HK\$451.25 million, before expenses, by issuing not less than 1,927,619,560 Rights Shares and not more than 2,314,080,968 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.195 per Rights Share on the basis of eight (8) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Shares will be fully underwritten by the Underwriter, on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out in the paragraph headed “The Underwriting Agreement” of this announcement.

The net proceeds of the Share Placing and the Rights Issue will be used for the implementation of the Group’s business objectives, details of which are set out in the paragraph headed “Intended use of proceeds” of this announcement.

CHANGE IN BOARD LOT SIZE

The Board proposes that, subject to the completion of the Rights Issue, the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Thursday, 22 January 2015. The Company will arrange odd lot matching services in order to facilitate the trading of odd lots (if any).

TERMINATION OF A PROPOSED PLACING OF CONVERTIBLE NOTES

In addition to the Share Placing Agreement and the Underwriting Agreement, the Company and the Placing Agent also entered into a convertible notes placing agreement on 12 November 2014 in relation to a proposed placing of convertible notes issued by the Company in the principal amount of HK\$220 million, which was subsequently terminated on 19 November 2014. As such, the said proposed placing of convertible notes will not proceed.

IMPLICATION UNDER THE LISTING RULES

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

Pursuant to Rule 7.19(8) of the Listing Rules, the Stock Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the SGM: (a) any parties who were controlling Shareholders of the Company at the time the decision for the transaction or arrangement involving the Rights Issue was made or approved by the Board and their associates; or (b) where there were no such controlling Shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company at the time the decision for the transaction or arrangement involving the Rights Issue was made or approved by the Board, and their respective associates.

As at the date of this announcement, there is no controlling Shareholder as defined under the Listing Rules and none of the Directors and the Company's chief executive and their respective associates is interested in any Shares and is required to abstain from voting in favour of the resolution to approve the Rights Issue. Therefore, no Shareholder is required to abstain from voting in favour of the relevant resolution(s) at the SGM.

GENERAL

An independent board committee of the Company comprising all the independent non-executive Directors will be established to make recommendations to the Independent Shareholders in respect of the Rights Issue. Gram Capital has been appointed as the Independent Financial Adviser to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The SGM will be convened and held for the Shareholders or the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the Rights Issue. A circular containing, among other things, (i) further details about the Rights Issue and the Change in Board Lot Size; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Gram Capital to the independent board committee of the Company and the Independent Shareholders in respect of the Rights Issue; and (iv) the notice convening the SGM, will be despatched to the Shareholders on or before Monday, 1 December 2014.

Upon the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only, as soon as practicable.

RESUMPTION OF TRADING

Trading of the Shares on the Stock Exchange was halted at the request of the Company with effect from 9:00 a.m. on Thursday, 13 November 2014 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on Friday, 21 November 2014.

(I) PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 12 November 2014 (after trading hours), the Company and the Placing Agent entered into the Share Placing Agreement for the Share Placing. Principal terms of the Share Placing Agreement are as follows:

Share Placing Agreement

Date: 12 November 2014 (after trading hours)

Placing Agent: the Placing Agent

To the best of the Company's knowledge, information and belief after making reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees: The Placing Shares will be placed to not less than six share placees (who will be independent individual, corporate and/or institutional investors) and their ultimate beneficial owners will be Independent Third Parties and not acting in concert with any of the Directors, chief executives, Shareholders of the Company or any of its subsidiaries or their respective associates. It is expected that no Share Placee will become a substantial Shareholder (as such term is defined in the Listing Rules) immediately following completion of the Share Placing.

Number of Placing Shares: Up to 48,190,489 new Shares will be placed by the Placing Agent on a best effort basis. The maximum aggregate nominal value of the Placing Shares will be HK\$481,904.89. The Placing Shares, if fully placed, represent (i) 20% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the existing issued share capital of the Company as enlarged by the Placing Shares.

The Placing Shares will be issued and allotted pursuant to the general mandate of the Company. As such, no Shareholders' approval is required for the allotment and issue of the Placing Shares. As at the date of this announcement, no Share has been issued pursuant to the said general mandate.

Placing Price: HK\$0.97 per Placing Share. The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, the prevailing market price of the Shares.

The Placing Price represents:

- (a) a discount of approximately 12.61% to the closing price of HK\$1.11 per Share as quoted on the Stock Exchange on 12 November 2014, being the date of the Share Placing Agreement; and
- (b) a discount of approximately 19.17% to the average closing price of approximately HK\$1.2 per Share as quoted on the Stock Exchange for the last five full trading days of the Shares immediately before the date of the Share Placing Agreement.

The Company will bear the costs and expenses in connection with the Share Placing and the net proceeds from the Share Placing is estimated to be approximately HK\$46.28 million (assuming the Placing Shares are fully placed). As a result, the net price per Placing Share will be approximately HK\$0.96.

Placing Commission: The Placing Agent will receive a placing commission of 1% on the gross proceeds of the Share Placing.

Ranking of the Placing Shares: The Placing Shares, when issued and fully paid, will rank *pari passu* among themselves and with the Shares in issue at the time of issue and allotment of the Placing Shares.

Conditions to the
Share Placing:

Completion of the Share Placing is conditional upon (i) the passing of a Board resolution to approve the Share Placing Agreement and the transactions contemplated thereunder; and (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Placing Shares.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The Share Placing is not conditional upon the Rights Issue becoming unconditional.

Completion of the
Share Placing:

Subject to the satisfaction of all the conditions set out above, the Share Placing is expected to be completed on or before 3 December 2014 or such later time and/or such other date as the Placing Agent and the Company may agree. It is expected that the placing period for the Share Placing shall be ended on 3 December 2014 and will not be further extended even if no placee is identified.

Termination:

The Placing Agent may terminate the Share Placing Agreement by notice in writing given to the Company at any time prior to 12:00 noon (Hong Kong time) on 3 December 2014 if any of the following develops, occurs or comes into force:

- (a) there shall have come to the notice of the Placing Agent any material breach of, or any event rendering untrue or incorrect in any material respect, any of the representations and warranties of the Company contained in the Share Placing Agreement or any failure to perform any of the Company's undertakings in the Share Placing Agreement;

- (b) any new law, rule or regulation or any change in existing laws (including common law), rules or regulations (or the juridical interpretation thereof) or other occurrence of any nature whatsoever which, in the reasonable opinion of the Placing Agent, are or may be materially adverse to the business or financial position of the Company or any other member of the Group taken as a whole or otherwise makes it inexpedient or inadvisable to proceed with the Share Placing;
- (c) any event or circumstance (whether or not forming part of a series of events or circumstances occurring or continuing before, on and/or after the date of the Share Placing Agreement) or material change or deterioration in local, national, international, political, military, financial, economic, market or trading conditions or any other conditions (whether or not ejusdem generis with any of the foregoing) in any part of the world in which the Company or any other member of the Group carries on business which, in the reasonable opinion of the Placing Agent, is or may be materially adverse to the business or financial position of the Company or any other member of the Group taken as a whole or otherwise makes it inexpedient or inadvisable to proceed with the Share Placing; or
- (d) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange.

In the event that the Placing Agent terminates the Share Placing Agreement, all obligations of each of the parties under the Share Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Share Placing Agreement except for any antecedent breach of any obligation thereunder.

Effect of the Share Placing on the shareholding structure of the Company

For illustrative purpose only, set out below is the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Share Placing (assuming the Placing Shares are placed in full):

Shareholders	As at the date of this announcement		Immediately after completion of Share Placing (assuming the Placing Shares are placed in full)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Existing public shareholders	240,952,445	100.00	240,952,445	83.33
Share Placee(s)	–	–	48,190,489	16.67
Total	<u>240,952,445</u>	<u>100.00</u>	<u>289,142,934</u>	<u>100.00</u>

The Board considers that the Share Placing will further strengthen the capital base of the Group and will improve its credit fundamentals. The terms of the Share Placing Agreement were arrived at by the Company and the Placing Agent after arm's length negotiations. The Directors consider that the terms of the Share Placing Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

(II) PROPOSED RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	Eight (8) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	HK\$0.195 per Rights Share with nominal value of HK\$0.01 each

Number of Shares in issue as at 240,952,445 Shares
the date of this announcement

Number of Shares in issue assuming 289,260,121 Shares
the Share Placing is completed with
full placement and the Existing
Convertible Bonds is converted in
full on or before the Record Date

Number of Rights Shares not less than 1,927,619,560 Rights Shares
(assuming no new Share being issued and no
Share being repurchased by the Company on
or before the Record Date) and not more than
2,314,080,968 Rights Shares (assuming no new
Share being issued other than the placement of all
Placing Shares pursuant to the Share Placing and
the conversion of the Existing Convertible Bonds
in full and no Share being repurchased by the
Company on or before the Record Date)

Assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date, the 1,927,619,560 Rights Shares proposed to be provisionally allotted represent:

- (i) 800% of the Company's issued share capital as at the date of this announcement;
and
- (ii) approximately 88.89% of the Company's issued share capital as enlarged by the issue of the 1,927,619,560 Rights Shares.

Assuming no new Share being issued other than the placement of all Placing Shares pursuant to the Share Placing and the conversion of the Existing Convertible Bonds in full and no Share being repurchased by the Company on or before the Record Date, the 2,314,080,968 Rights Shares proposed to be provisionally allotted represent:

- (i) approximately 960% of the Company's issued share capital as at the date of this announcement; and

- (ii) approximately 88.89% of the Company's issued share capital as enlarged by the issue of the 2,314,080,968 Rights Shares.

Share options, existing warrants and convertible notes

As at the date of this announcement, other than the Existing Convertible Bonds with principal amounts of HK\$1,800,000, which can be converted into 117,187 Shares at the conversion price of HK\$15.36, and held by Fortune Glow Limited, an Independent Third Party, the Company has no options, warrants, and convertible bonds or other similar rights which are convertible or exchangeable into Shares.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (a) the Prospectus Documents to the Qualifying Shareholders and (b) the Prospectus to the Non-Qualifying Shareholders for information purposes only.

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 23 December 2014.

Closure of register of member

The register of members of the Company will be closed from Wednesday, 24 December 2014 to Monday, 29 December 2014, both dates inclusive. No transfer of Shares in order to be qualified for the Rights Issue will be registered during this period.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.195 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 82.43% to the closing price of HK\$1.11 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.28% to the theoretical ex-rights price of approximately HK\$0.2967 per Share based on the closing price of HK\$1.11 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 83.28% to the average closing price of approximately HK\$1.166 per Share for the five consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 68.75% to the Company's net asset value of approximately HK\$0.624 per Share (based on the net assets as at 31 March 2014 of approximately HK\$150,313,000 and 240,952,445 Shares in issue as at the date of this announcement).

The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.192.

Basis of determining the Subscription Price

The Subscription Price and the subscription ratio are commercial decisions made by the Company after arm's length negotiations between the Company and the Underwriter with reference to the existing financial difficulties encountered by the Group (as further elaborated in later paragraphs of this announcement), prevailing market price and trading liquidities of the Shares prior to the Last Trading Day and recent market practices by other companies listed in Hong Kong. The Directors (excluding the independent non-executive Directors who will give their view on the Rights Issue after taking into account the advice of Gram Capital) consider that the Subscription Price, which have been

set at a deeper discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

In addition, as indicated to the Company during the negotiation of the Underwriting Agreement, given the abovementioned factors, a subscription price with deeper discount to the closing price of the Shares is necessary to induce the Underwriter to take up the underwriting commitment of the Underwritten Shares, which is an essential part of the Rights Issue. As a result, given the level of discount of the Subscription Price to the closing price of the Shares as requested by the Underwriter to minimize its risks for underwriting of the Untaken Shares, the subscription ratio of the Rights Issue shall be 8 for 1 so as to raise sufficient amounts to fulfill the financing needs of the Group (as further elaborated in later paragraphs of this announcement). Having studied the rights issue precedents as illustrated below, the Directors consider the current level of discount of the Subscription Price to the closing price of the Shares falls within the market range and the current subscription ratio is not uncommon as four of the rights issue precedents have the same or higher subscription ratio than the Rights Issue and hence is acceptable.

Set out below is a summary on rights issue precedents involving companies listed on the Stock Exchange identified by the Company on a best effort basis in the past three months:

Initial announcement	Company	Stock code	Basis of entitlement	Commission rate	Discount to closing price on last trading day	Gross Proceeds
11-Nov-2014	Pacific Andes International Holdings Limited	1174	1 for 2	3.5%	44.6%	HK\$425 million
4-Nov-2014	PICC Property and Casualty Company Limited	2328	0.9 for 10	undisclosed	47.4%	HK\$2,833 million (H-share portion)
3-Nov-2014	Jingrui Holdings Limited	1862	3 for 100	undisclosed	0%	HK\$132 million
31-Oct-2014	Mongolian Mining Corporation	975	3 for 2	3%	72.8%	HK\$1,556 million – HK\$1,567 million

Initial announcement	Company	Stock code	Basis of entitlement	Commission rate	Discount to closing price on last trading day	Gross Proceeds
23-Oct-2014	Shangri-La Asia Limited	69	1 for 7	1%	0%	HK\$4,967 million – HK\$5,228 million
22-Oct-2014	China Strategic Holdings Limited	235	1 for 2	2.5%	59.80%	HK\$178 million
20-Oct-2014	Roma Group Limited	8072	3 for 1	2.25%	56.73%	HK\$287 million
15-Oct-2014	Agile Property Holdings Limited	3383	1 for 8	1.75%	8.65%	HK\$1,653.86 million
10-Oct-2014	China Taiping Insurance Holdings Company Limited	966	21 for 100	HK\$9.5 million	33.7%	HK\$6,414 million – HK\$6,426 million
10-Oct-2014	Unlimited Creativity Holdings Limited	8079	5 for 2	2.5%	51.52%	HK\$126 million
29-Sep-2014	Tonly Electronics Holdings Limited	1249	1 for 2	Nil	20.93%	HK\$423 million
18-Sep-2014	First Credit Finance Group Limited	8215	3 for 1	2.5%	78.00%	HK\$103 million
5-Sep-2014	Easyknit Enterprises Holdings Limited	616	8 for 1	1%	80.80%	HK\$315 million
3-Sep-2014	Yuexiu Property Company Limited	123	33 for 100	2%	25.15%	HK\$3,846 million
3-Sep-2014	Bright Smart Securities & Commodities Group Limited	1428	1 for 2	2.5%	27.54%	HK\$561 million
2-Sep-2014	Midas International Holdings Limited	1172	1 for 2	2.5%	46.80%	HK\$110 million
27-Aug-2014	Country Garden Holdings Company Limited	2007	1 for 15	1.75%	30.90%	HK\$3,180 million
27-Aug-2014	Cheong Ming Investments Limited	1196	1 for 4	2%	13.00%	HK\$159 million

Initial announcement	Company	Stock code	Basis of entitlement	Commission rate	Discount to closing price on last trading day	Gross Proceeds
25-Aug-14	Venturepharm Laboratories Limited	8225	3 for 2	Nil	71.42%	HK\$55 million – HK\$68 million
20-Aug-14	Rui Kang Pharmaceutical Group Investments Limited	8037	1 for 2	2.5%	19.60%	HK\$54 million – HK\$57 million
18-Aug-14	Guotai Junan International Holdings Limited	1788	1 for 5	Nil	9.56%	HK\$2,005 million – HK\$2,039 million
18-Aug-14	China Yunnan Tin Minerals Group Company Limited	263	9 for 1	3%	65.22%	HK\$421 million
17-Aug-14	China Renji Medical Group Limited	648	1 for 2	4%	52.60%	HK\$91 million – HK\$115 million
12-Aug-14	China New Economy Fund Limited	80	1 for 2	2.5%	36.36%	HK\$42 million
11-Aug-14	South East Group Limited	726	8 for 1	2.5%	71.43%	HK\$292 million
8-Aug-14	SMI Culture Group Holdings Limited	2366	8 for 1	4.5%	83.33%	HK\$788 million
13-Jul-14	China Gamma Group Limited	164	1 for 2	1%	59.76%	HK\$150 million – HK\$156 million

Given that the size of the Rights Issue is relatively large and the Underwriter is the only underwriter agreed to offer the Rights Issue on a hard underwritten basis with the existing terms of the Rights Issue, the Company thus considers that a subscription price with deeper discount to the closing price of the Shares and higher subscription ratio is acceptable. Other than the Underwriter, the Company has approached 10 other firms and financial institutions; however, they are unwilling to act as the underwriter for similar size of fund raising exercise on a hard underwritten basis and are unable to provide a viable fund raising proposal that could resolve the Company's financial difficulties. Having also taking into account that (i) the commission rate offered by the Underwriter is lower than the market average as illustrated in the right issue precedent above, and (ii) the relevant legal fees and out of pocket expenses to be reimbursed by the Underwriter are expected to be immaterial, the Directors (excluding the independent non-executive

Directors who will give their view on the Rights Issue after taking into account the advice of Gram Capital) considers that the terms of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

In compliance with necessary requirements of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on the legal advice(s), the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue, to be despatched to the Qualifying Shareholders on the Posting Date. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them on the Posting Date.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefits of the Company. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for excess application on EAFs by Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Basis of provisional allotment

The basis of the provisional allotment shall be eight (8) Rights Shares for every one (1) existing Share held on the Record Date, being not less than 1,927,619,560 Rights Shares (assuming no new Share being issued and no Share being repurchased by the company on or before the Record Date) and not more than 2,314,080,968 Rights Shares (assuming no new Share being issued other than the placement of all Placing Shares pursuant to the Share Placing and the conversion of the Existing Convertible Bonds in full and no Share being repurchased by the Company on or before the Record Date). Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted for.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number) and allotted to a nominee appointed by the Company and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale(s) for its benefit. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders.

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects among themselves and with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of the allotment of the Rights Shares in their fully-paid forms.

Certificates of the Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Wednesday, 21 January 2015. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 21 January 2015 by ordinary post to the applicants at their own risk.

Application for excess Rights Shares

The Rights Shares to which the Non-Qualifying Shareholders would otherwise have been entitled, any assured allotments of Rights Shares which have not been accepted by the Qualifying Shareholders will be available for excess application by the Qualifying Shareholders. Application may be made only by the Qualifying Shareholders by completing an excess application form and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and on a pro-rata basis to the excess Rights Shares being applied for under each application.

However, no preference will be given to topping-up odd lots to whole board lots. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares. Any Rights Shares not applied for by the Qualifying Shareholders and not taken by excess application will be taken up by the Underwriter.

Investors with their Shares held by a nominee company (including HKSCC) should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the investors should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Shareholders and investors should consult their professional advisers if they are in any doubt as to their status. Investors whose Shares are held by their nominee(s) (including HKSCC) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Company's branch share registrar in Hong Kong for completion of the relevant registration by 4:30 p.m. on Tuesday, 23 December 2014.

Application for listing

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil paid and fully-paid forms) on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in each of their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in the proposed new board lots of 20,000), which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

1. the passing of all necessary resolution(s) by the Board and the Shareholders (where applicable, the Independent Shareholders) at the SGM on or before the Posting Date to approve the Rights Issue and the transactions contemplated thereunder;

2. the delivery to the Stock Exchange for authorization and the registration by the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents duly certified by two Directors (or by their agents duly authorized in writing) in accordance with section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
3. the filing of one copy of the Prospectus Documents with the Registrar of Companies in Bermuda prior to or as soon as reasonably practicable after publication of the Prospectus Documents in compliance with the Companies Act;
4. the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus stamped "For information only" to the Non-Qualifying Shareholders, on or before the Posting Date;
5. the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having revoked, listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings; and
6. if required, the Bermuda Monetary Authority granting consent to the issue of the Rights Shares.

If the above conditions are not satisfied and/or waived in whole or in part by the Underwriter by the Latest Time For Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (save for any antecedent breach of the Underwriting Agreement and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise.

The Rights Issue is not conditional upon the Share Placing having become unconditional.

The Underwriting Agreement

Date 12 November 2014 (after trading hours)

Underwriter the Underwriter

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

As at the date of this announcement, the Underwriter and its associates are not interested in any Shares.

Total number of Underwritten Shares Not less than 1,927,619,560 Rights Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 2,314,080,968 Rights Shares (assuming no new Share being issued other than the placement of all Placing Shares pursuant to the Share Placing and the conversion of the Existing Convertible Bonds in full and no Share being repurchased by the Company on or before the Record Date).

Underwriting commission Payable by the Company to the Underwriter at 1% of the aggregate Subscription Price of the maximum number of Underwritten Shares mentioned above. Save for the aforesaid commission and the reasonable legal fees and other reasonable out-of pocket expenses of the Underwriter in respect of the Rights Issue, no other fees or expenses are payable by the Company to the Underwriter.

The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Company, the size of the Rights Issue, and the current and expected market conditions. The Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

1. in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue;
2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter are likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any member of the Group or the destruction of any material asset of the Group;

3. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout;
4. any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing;
5. any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
6. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of this announcement or the Circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue.

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time For Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if any performance of the Underwriter's obligations under the Underwriting Agreement will lead to any breach of any applicable laws and regulations; or if prior to the Latest Time For Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time For Termination.

If prior to the Latest Time For Termination, any such notice as is referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Shareholding structure of the Company in respect of the Rights Issue

For illustrative purpose only, set out below is the shareholding structure of the Company immediately before and after completion of the Rights Issue.

- (i) assuming there is no new Share being issued and no Share being repurchased by the Company on or before the Record Date:

Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue			
			All Rights Shares are subscribed by the Qualifying Shareholders		None of the Rights Shares are subscribed by the Qualifying Shareholders <i>(Note)</i>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Underwriter	–	–	–	–	1,927,619,560	88.89
Existing public Shareholders	240,952,445	100.00	2,168,572,005	100.00	240,952,445	11.11
Total	240,952,445	100.00	2,168,572,005	100.00	2,168,572,005	100.00

- (ii) Assuming no new Share being issued other than the placement of all Placing Shares pursuant to the Share Placing and the conversion of the Existing Convertible Bonds in full and no Share being repurchased by the Company on or before the Record Date:

Shareholders	Immediately upon completion of the Share Placing with full placement and the conversion of the Existing Convertible Bonds in full		Immediately after completion of the Rights Issue			
			All Rights Shares are subscribed by the Qualifying Shareholders		None of the Rights Shares are subscribed by the Qualifying Shareholders (Note)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Underwriter	–	–	–	–	2,314,080,968	88.89
Existing public Shareholders	240,952,445	83.30	2,168,572,005	83.30	240,952,445	9.26
Share Placee(s)	48,190,489	16.67	433,714,401	16.67	48,190,489	1.85
Holder of the Existing Convertible Bonds	117,187	0.03	1,054,683	0.03	117,187	0.00
Total	289,260,121	100.00	2,603,341,089	100.00	2,603,341,089	100.00

Note: The above scenario is for illustrative purpose only and will never occur.

Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert with it in the Company to trigger a mandatory offer obligation under Rule 26 of the Takeovers Code upon completion of the Rights Issue.

In the event that the Underwriter is required to take up the Rights Shares pursuant to its underwriting commitment, the Underwriter shall use its best endeavours to ensure that (i) each of the subscribers of the Rights Shares procured by it, together with any party acting in concert with it, shall be an Independent Third Party and not acting in concert (within the meaning of the Takeovers Code) with, and not connected with, the Directors, chief executive or substantial Shareholders of the Company or their respective associates (as defined in the Listing Rules); (ii) each of the subscribers of the Rights Shares procured by it, together with any party acting in concert (within the meaning of the Takeovers Code) with it, shall not hold such number of Shares which will result in a mandatory offer obligation under Rule 26 of the Takeovers Code be triggered upon the completion of the Rights Issue; and (iii) unless the minimum public float requirements under Rule 8.08 of the Listing Rules is satisfied, the Underwriter shall procure independent placees to take up such number of Rights Shares so that each of the subscribers of the Untaken Shares procured by it, shall not, together with any party(ies) acting in concert (within the meaning of the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue.

Expected timetable

The expected timetable for the Rights Issue is set out below:

Event	(HONG KONG TIME)
Expected date of despatch of the circular and forms of proxy of the SGM	Monday, 1 December 2014
Latest time for lodging transfer of shares to qualify for attendance and voting at the SGM	4:30 p.m. on Tuesday, 16 December 2014
Latest time for return of form of proxy for the SGM (not less than 48 hours).	10:00 a.m. on Tuesday, 16 December 2014
Register of members closes (both dates inclusive).	Wednesday, 17 December 2014 to Thursday, 18 December 2014
SGM	10:00 a.m. on Thursday, 18 December 2014
Announcement of results of the SGM	Thursday, 18 December 2014
Last day of dealings in the Shares on a cum-rights basis.	Friday, 19 December 2014
First day of dealings in the Shares on an ex-rights basis	Monday, 22 December 2014
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue.	4:30 p.m. on Tuesday, 23 December 2014

Event	(HONG KONG TIME)
Register of members closes (both dates inclusive)	Wednesday, 24 December 2014 to Monday, 29 December 2014
Record Date.	Monday, 29 December 2014
Register of members re-opens	Tuesday, 30 December 2014
Prospectus Documents expected to be despatched.	Tuesday, 30 December 2014
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 2 January 2015
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 6 January 2015
Last day of dealings in nil-paid Rights Shares.	4:00 p.m. on Friday, 9 January 2015
Latest time for acceptance of and payment for the rights shares and application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 14 January 2015
Rights Issue expected to become unconditional.	4:00 p.m. on Thursday, 15 January 2015
Announcement of results of acceptance and excess application of the Rights Shares	Tuesday, 20 January 2015
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or before	Wednesday, 21 January 2015
Certificates for the Rights Shares expected to be despatched on or before	Wednesday, 21 January 2015

Event **(HONG KONG TIME)**

Dealings in fully-paid Rights Shares commence 9:00 a.m. on Thursday,
22 January 2015

Effective date of change of board lot size
from 2,000 Shares to 20,000 Shares. 9:00 a.m. on Thursday,
22 January 2015

Designated brokers starts to stand in the market
to provide matching services for sale and purchase of
odd lots of Shares 9:00 a.m. on Thursday,
22 January 2015

Designated brokers ceases to stand in the market
to provide matching services for sale and purchase of
odd lots of shares. 4:00 p.m. on Wednesday,
18 February 2015

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

Warning of the risks of dealing in shares and nil-paid rights shares

The last day of dealing in the Shares on a cum-rights basis is Friday, 19 December 2014. The Shares will be dealt in on an ex-rights basis commencing from Monday, 22 December 2014. Dealings in the Rights Shares in the nil-paid form are expected to take place from Friday, 2 January 2015 to Friday, 9 January 2015 (both dates inclusive). Shareholders and potential investors should note that dealing in the Shares and/or nil-paid Rights Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement and up to 4:00 p.m. on Thursday, 15 January 2015, being the time and date by which all the conditions of the Rights Issue are to be fulfilled and when the right of the Underwriter to terminate the Underwriting Agreement is to lapse, and any dealings in the Rights Shares in their nil-paid form between Friday, 2 January 2015 and Friday, 9 January 2015, both days inclusive, are accordingly subject to the risk that the Rights Issue may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Rights Shares in their nil-paid form and, if they are in any doubt about their position, they should consult their professional adviser(s).

Having taken into account the terms of the Rights Issue, the Board considers that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Furthermore, it also offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company to participate in the future development of the Company should they wish to do so.

REASONS FOR THE SHARE PLACING, THE RIGHTS ISSUE AND THE USE OF PROCEEDS

Background and historical financial information on the Group

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 performance of the Group's recycling business, being the main business stream of the Group, has been unsatisfactory since its acquisition in 2011. The turnover of recycling business decreased year by year and was mainly attributable to (i) excess production in the paper manufacturing industry; (ii) doldrums of paper manufacturing business due to the slowdown of the PRC national macro economic; and (iii) international protectionism, for example, countervailing and anti-dumping, against the development of recycling paper business in the PRC. The continuous rises in the costs of raw materials, minimum wage rate and manufacturing overheads have a serious impact on the business performance.

For the year ended 31 March 2014, the Group suffered from a substantial loss from continuing operations after taxation of approximately HK\$1,449,697,000. Although majority of the loss, being approximately HK\$1,202,602,000, was mainly due to impairment loss on change in fair value of financial liabilities, the deteriorating performance of the Group's recycling business also led to disappointing turnover and further impairment loss on the goodwill arisen from its acquisition. If the negative situations affecting the industry as abovementioned remain, the Directors expect that the recycling business will contract and diminish over the next 20 years and will continue to drag the Group's performance. Therefore, while the Directors have not given up efforts to turnaround the existing business, the Board has been looking for new business opportunities to bring in new source of income and to diversify the revenue stream of the Group.

Recent acquisitions by the Company

As a result, the Company has completed a number of acquisitions since 31 March 2014 (being the date to which the latest published audited financial statements of the Group were made up), which include (i) the 10% equity interest in Pure Power Holdings Limited which through its subsidiary is engaged in the business of exploration and exploitation of natural resources in the United States of America as announced by the Company on 24 January 2014; (ii) the 9.9% equity interest in Starfame Investments Limited which through its subsidiaries is engaged in the business of trading of petrochemical products as announced by the Company on 12 May 2014; and (iii) the entire equity interest in Asian Champion Limited which through its subsidiary is engaged in the business of online products sales, provision of web maintenance services and marketing services as announced by the Company on 18 September 2014.

In addition to the above, the Company has also entered into a memorandum of understanding as announced on 15 August 2014 (as supplemented by a supplemental memorandum of understanding on 3 November 2014) ("MOU") in relation to the possible Acquisition. Under the MOU, the Company and the vendor shall sign a binding sale and purchase agreement in respect of the possible Acquisition within 3 months from the date of the supplemental memorandum of understanding or such later date as agreed in writing by the parties thereto, subject to further negotiations between the Company and the vendor and the results of the due diligence on the target group companies, the proposed consideration for the possible Acquisition and the method and timing of its payment or settlement are to be negotiated and agreed.

Based on the preliminary discussions between the Company and the vendor up to the date of this announcement, the proposed consideration for the possible Acquisition shall be not more than HK\$760,000,000 and the method and timing of its payment are as follows:–

- (a) as to not less than 50% of the proposed consideration shall be paid in cash upon execution of the formal sale and purchase agreement; and
- (b) the balance of consideration shall be paid by way of issuance of convertible bonds or promissory notes by the Company.

As at 30 September 2014, the cash and bank balance of the Company amounted to approximately HK\$2.8 million, and therefore the Company has imminent needs to raise sufficient cash to finalize the terms of the sale and purchase agreement for the possible Acquisition with the vendor and to prepare the payment for the cash portion of the consideration.

If the possible Acquisition materializes, it may constitute a notifiable transaction on the part of the Company under the Listing Rules.

According to the information provided by the vendor, Master Resources Holdings Limited (the “**Target Company**”) comprises equity interests in China Environmental Technology Holding Group Co., Limited (“**Onedear Hong Kong**”), 上海萬帝環境技術有限公司 (“Shanghai Onedear Environmental Technology Co., Ltd.*”) (“**Onedear Shanghai**”) and 萬帝環境設備(鄭州)有限公司 (Onedear Environmental Equipment Co., Ltd.*) (“**Onedear Zhengzhou**”). Onedear Shanghai is a high and new technology enterprise focusing on energy conservation and environmental protection industry. It specializes in the provision of intelligent, practical and new, energy conservation and environment-friendly hi-technology products for government authorities, enterprises and institutions and households, and especially possesses relative advanced standards in kitchen waste and sewage treatment technology. The principal core technology, capability and equipment of Onedear Shanghai are namely dry bio-jet fuel diesel oil refining technology, commercial kitchen waste reduction processing equipment, kitchen waste oil and water separation equipment, community oil waste water purification treatment system, household intelligent food waste processor and environmental protection project construction and production for municipal kitchen waste comprehensive utilization systems.

* For identification purposes only

Onedear Shanghai possesses the qualification certificate in environmental protection engineering specialty construction, safety production licence in environmental engineering construction, municipal waste operation licence and other qualifications. It has 28 patent technologies, of which, 8 are invention patents, and have obtained EU's ROHS products environmental certification, EU's CE products quality and safety certification, CQC national products quality and safety certification, ISO9001:2008 quality control system certification and ISO14001:2004 environmental management system certification etc.

The fixed assets of Onedear Group are the two office buildings of Onedear Research and Development Centre (萬帝研發中心) located at Xinqiao, Songjiang, Shanghai, and the Onedear equipment manufacturing base located at No. 126 of Second Main Street, Zhengzhou Economic and Technological Development Zone (鄭州經濟技術開發區).

Financial position of the Group

As at 31 March 2014, the Group had net current liabilities of approximately HK\$124,058,000. This indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the Company has been actively seeking for fund raising opportunities to resolve the financial difficulties encountered by the Group.

As at the date of this announcement, the debt position of the Group is summarized as below:

	Principal amount	Interest	Approximate accrued interests as at 31 October 2014	Maturity Date
Existing Convertible Bonds	HK\$1,800,000	8%	HK\$73,380	28 April 2015
Promissory notes I	HK\$5,000,000	5.25%	HK\$458,840	31 January 2013 (in dispute)
Promissory notes II	HK\$123,200,000	8%	HK\$5,022,500	28 April 2015
Promissory notes III	HK\$30,000,000	8%	HK\$1,137,530	19 May 2015
Promissory notes IV	HK\$58,000,000	8%	HK\$330,520	5 October 2015
Borrowings from a financial institution	HK\$68,000,000	36%	HK\$7,787,180	Expired
PRC Bank Loans	RMB4,300,000	7.8%	RMB254,536	27 January 2015
	RMB2,000,000	7.8%	RMB114,115	27 January 2015
	RMB3,500,000	7.8%	RMB133,882	5 May 2015
	RMB3,500,000	7.8%	RMB133,882	5 May 2015
	RMB5,700,000	7.8%	RMB215,600	7 May 2015
Non-convertible notes	HK\$20,000,000	5%		31 May 2017

Save for the non-convertible notes which has a longer maturity to be due in May 2017, the Company intends to utilize the proceeds from the Rights Issue principally to settle all these liabilities (i.e. approximately HK\$310 million with accrued interests of approximately HK\$16 million) (the “**Short Term Debts**”) such that the Company can maintain a healthy financial position to continues its business developments.

Among the Short Term Debts, a borrowing from a financial institution amounted to approximately HK\$68 million has expired as at the date of this announcement. Although the Company is in negotiation with such financial institution for a possible extension, given that the Company has no repayment abilities to repay the interests accrued to such borrowings as at the date of this announcement, there is no guarantee the financial institution will extend such borrowings. As such borrowings have been expired, the financial institution has the right to demand for immediate repayment anytime and such action may cause other outstanding borrowings of the Group to default. To avoid this to happen, the Company has informed the financial institution about the Company's proposed fund raising exercises and requested the financial institution to wait for the Company to complete the proposed fund raising exercises such that the Company can repay the borrowings with the accrued interests in full. As at the date of this announcement, the Company has not approached any holder(s) of the promissory notes for any extension (except one of the promissory notes in dispute) as these promissory notes has not yet been expired and the Company will honour the repayment of these Short Term Debts upon completion of the Rights Issue.

Reasons for the Share Placing and the Rights Issue

As illustrated above, the Short Term Debts is currently estimated at approximately HK\$326 million, in which the principal amount of approximately HK\$310 million and total accrued interest of approximately HK\$16 million. As all of the above debts are interest-bearing while capable for early-redemption, the Board intends to early-redeem them as quickly as possible to ease the interest expenses burden on the Group. Further to the repayments of Short Term Debts, the general working capital need for the Group for the next twelve months is estimated to be approximately HK\$25 million.

As elaborated the unsatisfactory business performance of the Group in earlier paragraphs of this announcement, the Group also has an imminent needs to raise sufficient cash to finalize the terms of the sale and purchase agreement for the possible Acquisition with the vendor to diversify the businesses of the Group.

Furthermore, the Board will also consider any other new business opportunities with promising prospect. It is in the Directors' view that having sufficient financial resources can provide the Company with greater flexibility in negotiating and satisfying the considerations of these potential business opportunities as and when they arise.

In light of all the above, the Directors propose the Share Placing and the Rights Issue.

Financing alternatives considered by the Group

Other than the Share Placing and the Rights Issue, the Company has considered to obtain new borrowings to settle the Short Term Debts; however, in view of the amounts of the Short Term Debts and potential repayment abilities of the Group as assessed by other financial institutions, the Group is unable to obtain any new borrowings. Having considered the Company's market capitalization of approximately HK\$267.46 million as at the date of this announcement, a rights issue exercise is the only solution available to resolve the financial difficulties encountered by the Group and taking into account that a rights issue exercise is pre-emptive in nature, it is preferred. Nevertheless, as a rights issue exercise requires an underwriter to commit an underwriting obligation on a hard underwritten basis, it is difficult to identify a financial institution to act as an underwriter for the rights issue and even an underwriter is identified, it would be difficult to obtain terms favourable to the Company after considering the Company's current status.

Although a share placement is less preferred by the Group, in order to maximize the available cash resources of the Group for obtaining more bargaining power in negotiating for better terms for any investment opportunity identified/to be identified by the Company (including the possible Acquisition), the Directors consider that it is necessary to include the Share Placing as part of the fund raising exercises of the Company. The Share Placing would be conducted on a best effort basis (the Company has attempted to approach 10 firms and financial institutions; however, it has not been able to identify any financial institution to provide hard underwritten services for the Share Placing because of the potential risks involved) and the Company will apply the proceeds from the Share Placing (if any) on any investment opportunities identified/to be identified by the Group (including the possible Acquisition). It is the objective of the Group to have more cash resources on hand to bargain for better terms for the Company for any investment opportunity.

Overall, the Directors are confident that if both the Share Placing and the Rights Issue are completed in full, the Company will be able to resolve its financial difficulties and at the same time to potentially diversify its deteriorating business into new business with better returns and prospect. As at the date of this announcement, the possible Acquisition shall be the Company's top priority and the Company is impressed with the Target Company's technology on energy conservation and environmental protection, which is in line with the Group's business objective. Other than the possible Acquisition, the Company will actively look into businesses in similar nature (i.e. environmental friendly/energy background) in the future.

Intended use of proceeds

The Rights Issue is on a fully underwritten basis. The estimated net proceeds from the Rights Issue, after deduction of the relevant expenses, are not less than approximately HK\$375.89 million to not more than approximately HK\$451.25 million. The Board intends to utilize the proceeds from the Rights Issue principally for settlement of the Short Term Debts and general working capital of the Group, while any remaining will be reserved for financing any acquisition opportunities identified or to be identified by the Company (including the possible Acquisition).

As the Share Placing is on best effort basis, there is no guarantee that the full amounts of the proceeds from the Share Placing can be obtained. The estimated net proceeds from the Share Placing, assuming all Placing Shares are successfully placed and after deduction of the relevant expenses, are approximately HK\$46.28 million. The Company intends to apply the proceeds from the Share Placing for financing any acquisition opportunities identified or to be identified by the Company (including the possible Acquisition). However, in the event that the Rights Issue has not become unconditional, the proceeds from the Share Placing shall be utilized for the settlement of the Short Term Debts in priority before financing any acquisition opportunities.

To the extent that the said net proceeds are not immediately required for, or applied to, the above purposes, the Company may place such funds with licensed banks or licensed financial institutions in Hong Kong for so long as it is in the Company's best interests.

Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may (i) subject to availability, acquire additional nil-paid Rights Shares in the market; and (ii) apply for the excess Rights Shares since the Rights Issue also allows for excess application of the Rights Shares.

The Board is aware of the potential dilution effect on the Shareholders' shareholding interests in the Company. Nonetheless, the Board considers that the foregoing should be balanced against by the following factors:

- Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the SGM;
- Qualifying Shareholders have their choice whether to accept the Rights Issue or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares in the market;
- the Rights Issue offers Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market price of the Shares; and
- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

Having considered the above, the Board considers the potential dilution effect on the shareholding interests of the Qualifying Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Date of the announcement	Fund raising activity	Net proceeds	Proposed use of proceeds	Actual use of proceeds
27 May 2014	Placing of 180,000,000 shares	HK\$18.73 million	the repayment of debts owned by the Company, working capital of the Group and/or for financing future investment opportunities	HK\$12 million was used for repayment of interest expenses due by the Company and the balance of HK\$6.73 million used for working capital of the Group
18 November 2013	Placing of 45,680,000 shares	HK\$89.75 million	the repayment of debts owned by the Company, working capital of the Group and/or for financing future investment opportunities	Used as intended: (i) HK\$63 million has been utilized for the repayment of debts owed by the Company; (ii) HK\$10 million has been utilized for the purchase of fixed assets; and (iii) HK\$16.75 million has been used for the working capital of the Group

Save as disclosed above, there has not been any other equity fund raising activities in the last 12 months immediately before the date of this announcement.

(III) CHANGE IN BOARD LOT SIZE

The Board proposes that, subject to the completion of the Rights Issue, the board lot size of the Shares for trading on the Stock Exchange will be changed from 2,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Thursday, 22 January 2015.

In view of the value of each board lot of the Shares in 2,000 Shares trading on the Stock Exchange is expected to be decreased as a result of the Rights Issue, the Board proposes that the board lot size of the Shares for trading on the Stock Exchange be changed from 2,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Thursday, 22 January 2015.

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services during Thursday, 22 January 2015 to Wednesday, 18 February 2015 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Further details in respect of the odd lots arrangement will be set out in the Circular.

Shareholders in odd lots should note that successful matching of the sale and purchase of odd lots of Shares will not be guaranteed. Shareholders are advised to consult their professional advisers if they are in doubt about the above procedures.

TERMINATION OF A PROPOSED PLACING OF CONVERTIBLE NOTES

In addition to the Share Placing Agreement and the Underwriting Agreement, the Company and the Placing Agent also entered into a convertible notes placing agreement on 12 November 2014 in relation to a proposed placing of convertible notes issued by the Company in the principal amount of HK\$220 million, which was subsequently terminated on 19 November 2014. As such, the said proposed placing of convertible notes will not proceed.

IMPLICATION UNDER THE LISTING RULES

In accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

Pursuant to Rule 7.19(8) of the Listing Rules, the Stock Exchange reserves the right to require the following parties to abstain from voting in favour of the relevant resolution at the SGM: (a) any parties who were controlling Shareholders of the Company at the time the decision for the transaction or arrangement involving the Rights Issue was made or approved by the Board and their associates; or (b) where there were no such controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company at the time the decision for the transaction or arrangement involving the Rights Issue was made or approved by the Board, and their respective associates.

As at the date of this announcement, there is no controlling Shareholder as defined under the Listing Rules and none of the Directors and the Company's chief executive and their respective associates is interested in any Shares and is required to abstain from voting in favour of the resolution to approve the Rights Issue. Therefore, no parties are required to abstain from voting in favour of the relevant resolution(s) at the SGM.

GENERAL

An independent board committee of the Company comprising all the independent non-executive Directors will be established to make recommendations to the Independent Shareholders in respect of the Rights Issue. Gram Capital has been appointed as the Independent Financial Adviser to advise the independent board committee of the Company and the Independent Shareholders in this regard.

The SGM will be convened and held for the Shareholders or the Independent Shareholders (as the case may be) to consider, and if thought fit, to approve, among other things, the Rights Issue. A circular containing, among other things, (i) further details about the Rights Issue and the Change in Board Lot Size; (ii) a letter of recommendation from the independent board committee of the Company to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Gram Capital to the independent board committee of the Company and the Independent Shareholders in respect of the Rights Issue; and (iv) the notice convening the SGM, will be despatched to the Shareholders on or before Monday, 1 December 2014.

Upon the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders and the Prospectus will be despatched to the Non-Qualifying Shareholders for information purposes only, as soon as practicable.

RESUMPTION OF TRADING

Trading of the Shares on the Stock Exchange was halted at the request of the Company with effect from 9:00 a.m. on Thursday, 13 November 2014 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on Friday, 21 November 2014.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition”	the possible acquisition of Master Resources Holdings Limited pursuant to the memorandum of understanding dated 15 August 2014 as supplemented on 3 November 2014
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Business Day(s)”	a day (other than Saturday, Sunday and public holiday) on which banks are generally open for business for more than five hours in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 2,000 Shares to 20,000 Shares, subject to the completion of the Rights Issue
“Circular”	the circular to be despatched to the Shareholders in relation to the Rights Issue and the Change in Board Lot Size (together with the notice of the SGM)
“Company”	China Environmental Energy Investment Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“Existing Convertible Bonds”	the outstanding convertible bonds issued by the Company with principal amount of HK\$1,800,000 due on 28 April 2015

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in respect of the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	any Shareholder other than those who are involved in, or interested in the Underwriting Agreement and the Rights Issue, who are required to abstain from voting in respect thereto at the SGM pursuant to the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“Last Trading Day”	12 November 2014, being the last trading day of the Shares on the Stock Exchange prior to the publication of this announcement
“Latest Time For Acceptance”	4:00 p.m. on Wednesday, 14 January 2015 or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on Thursday, 15 January 2015 or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time for the Underwriter to terminate the Underwriting Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placing Agent” or “Underwriter”	Win Fung Securities Limited, a licensed corporation to carry on business in Types 1 & 4 regulated activities under the SFO
“Placing Price”	the price of HK\$0.97 per Placing Share;
“Placing Share(s)”	up to 48,190,489 new Shares
“Posting Date”	Tuesday, 30 December 2014 or such other date as the Underwriter may agree in writing with the Company, as the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus for information purposes only to the Non-Qualifying Shareholders (as the case may be)
“PRC”	The People’s Republic of China

“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Monday, 29 December 2014 (or such other date as the Underwriter may agree in writing with the Company), as the date by reference to which entitlements to the Rights Issue are expected to be determined
“Rights Issue”	the proposed rights issue on the basis of eight (8) Rights Shares for every one (1) existing Share in issue and held on the Record Date at the Subscription Price
“Rights Shares”	Shares to be issued and allotted under the Rights Issue, being not less than 1,927,619,560 Shares (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date) and not more than 2,314,080,968 Rights Shares (assuming no new Share being issued other than the placement of all Placing Shares pursuant to the Share Placing and the conversion of the Existing Convertible Bonds in full and no Share being repurchased by the Company on or before the Record Date)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the Shareholders or the Independent Shareholders (as the case may be) to consider and, if thought fit, approve the Rights Issue and the transactions contemplated thereunder

“Share(s)”	ordinary shares of HK\$0.01 in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Placee(s)”	any individual, institutional or other professional investor procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Share Placing Agreement
“Share Placing”	the offer by way of placing of the Placing Shares by the Placing Agent as agent of the Company, on a best effort basis to selected investors on the terms and subject to the conditions set out in the Share Placing Agreement
“Share Placing Agreement”	the share placing agreement (as supplemented by a supplemental agreement dated 19 November 2014) entered into between the Company and the Placing Agent dated 12 November 2014 in relation to the Share Placing
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time For Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.195 per Rights Share
“Takeovers Code”	The Code on Takeovers and Mergers
“Underwriting Agreement”	the underwriting agreement dated 12 November 2014 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue

“Underwritten Shares”	all the Rights Shares which are fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement
“Untaken Shares”	the Underwritten Shares which have not been taken up by the Qualifying Shareholders
“%”	per cent.

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

Hong Kong, 20 November 2014

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

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 Ms. Zhang Ruisi, Mr. Tse Kwong Chan and Ms. Zhou Jue.

* *For identification purposes only*