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If you have sold or transferred all of your shares in China Environmental Energy Investment Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

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 AND NOTICE OF SPECIAL GENERAL MEETING

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

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



Gram Capital Limited

嘉林資本有限公司

Capitalized terms used in this cover page have the same meanings as defined in this circular. A letter from the Board is set out on pages 10 to 38 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 39 to 40 of this circular. A letter from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Rights Issue is set out on pages 41 to 57 of this circular.

A notice convening the SGM to be held at 3/F, Victoria Room 2, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 18 December 2014 at 10:00 a.m. is set out on pages 83 to 85 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

The Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed "Termination of the Underwriting Agreement" on pages 7 to 9 of this circular). Accordingly, the Rights Issue may or may not proceed.

1 December 2014

* For identification purposes only

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EXPECTED TIMETABLE

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

Event	(HONG KONG TIME)
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
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

EXPECTED TIMETABLE

Event	(HONG KONG TIME)
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
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

EXPECTED TIMETABLE

Event

(HONG KONG TIME)

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 circular 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.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is:

1. a tropical cyclone warning signal number 8 or above; or
2. a “black” rainstorm warning
 - (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as possible.

DEFINITIONS

In this circular, unless the context otherwise requires, capitalized terms used shall have the following meanings:

“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
“Announcement”	the announcement of the Company dated 20 November 2014 in relation to, among others, the Share Placing, the Rights Issue and the Change in Board Lot Size
“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
“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

DEFINITIONS

“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
“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 Board Committee”	an independent board committee comprising all independent non-executive Directors to advise the Independent Shareholders as to whether the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue
“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

DEFINITIONS

“Last Trading Day”	12 November 2014, being the last trading day of the Shares on the Stock Exchange prior to the publication of the Announcement
“Latest Practicable Date”	28 November 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“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

DEFINITIONS

“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, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“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
“Registrar”	Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong
“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

DEFINITIONS

“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 under the general mandate of the Company 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 and held on Thursday, 18 December 2014 for the Shareholders or the Independent Shareholders 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 under the general mandate of the Company 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 supplemental agreements dated 19 November 2014 and 27 November 2014) entered into between the Company and the Placing Agent dated 12 November 2014 in relation to the Share Placing

DEFINITIONS

“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
“Underwriter” or “Placing Agent”	Win Fung Securities Limited, a licensed corporation to carry on business in Types 1 & 4 regulated activities under the SFO
“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.

TERMINATION OF THE UNDERWRITING AGREEMENT

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;

TERMINATION OF THE UNDERWRITING AGREEMENT

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 the Announcement or this 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.

TERMINATION OF 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Ms. Chen Tong

(Chairman and Chief Executive Officer)

Ms. Chan Ching Ho, Kitty

Mr. Xiang Liang

Ms. Li Lin

Non-Executive Directors:

Ms. Yao Zhengwei

Mr. Wang Zhenghua

Independent non-executive Directors:

Mr. Tse Kwong Chan

Ms. Zhou Jue

Ms. Zhang Ruisi

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office and principal

place of business:

Room 2211, 22/F

Lippo Centre, Tower Two

89 Queensway

Hong Kong

1 December 2014

To the Shareholders

Dear Sir or Madam,

**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
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement and the announcement of the Company dated 27 November 2014 in relation to, among other things, the Share Placing, the Rights Issue and the Change in Board Lot Size. The Company proposed to raise not less than approximately HK\$375.89 million and not more than approximately HK\$483.05 million, before expenses, by (i) the Share Placing of up to 48,190,489 new Shares at HK\$0.66 per Placing Share under the general mandate of the Company; and (ii) the 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.

* For identification purposes only

LETTER FROM THE BOARD

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue, and Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you among other things, details of (i) the Rights Issue and the Change in Board Lot Size; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders on the Rights Issue, (iii) the recommendations from Gram Capital to the Independent Board Committee and the Independent Shareholders on the Rights Issue; and (iv) the notice convening the SGM, for the purpose of considering and, if thought fit, approving the Rights Issue.

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 the Latest Practicable Date	240,952,445 Shares
Number of Shares in issue assuming the Share Placing is completed with full placement and the Existing Convertible Bonds is converted in full on or before the Record Date	289,260,121 Shares
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 under the general mandate of the Company and the conversion of the Existing Convertible Bonds in full and no Share being repurchased by the Company on or before the Record Date)

LETTER FROM THE BOARD

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 Latest Practicable Date; 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 under the general mandate of the Company 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 Latest Practicable Date; 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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

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;
- (iv) a discount of approximately 65.05% to the Company's net asset value of approximately HK\$0.558 per Share (based on the net assets as at 30 September 2014 of approximately HK\$134,417,000 and 240,952,445 Shares in issue as at the Latest Practicable Date); and
- (v) a discount of approximately 73.29% to the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

LETTER FROM THE BOARD

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 letter), 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 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 letter). 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.

LETTER FROM THE BOARD

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 prior to the date of the Announcement:

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
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-14	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-14	Tonly Electronics Holdings Limited	1249	1 for 2	Nil	20.93%	HK\$423 million
18-Sep-14	First Credit Finance Group Limited	8215	3 for 1	2.5%	78.00%	HK\$103 million
5-Sep-14	Easyknit Enterprises Holdings Limited	616	8 for 1	1%	80.80%	HK\$315 million
3-Sep-14	Yuexiu Property Company Limited	123	33 for 100	2%	25.15%	HK\$3,846 million
3-Sep-14	Bright Smart Securities & Commodities Group Limited	1428	1 for 2	2.5%	27.54%	HK\$561 million

LETTER FROM THE BOARD

Initial announcement	Company	Stock code	Basis of entitlement	Commission rate	Discount to closing price on last trading day	Gross Proceeds
2-Sep-14	Midas International Holdings Limited	1172	1 for 2	2.5%	46.80%	HK\$110 million
27-Aug-14	Country Garden Holdings Company Limited	2007	1 for 15	1.75%	30.90%	HK\$3180 million
27-Aug-14	Cheong Ming Investments Limited	1196	1 for 4	2%	13.00%	HK\$159 million
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 Medicinal 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

LETTER FROM THE BOARD

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 consider 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.

LETTER FROM THE BOARD

According to the register of members of the Company as at the Latest Practicable Date, there were 1,146 Shareholders with registered addresses in jurisdiction outside Hong Kong shown on such register, namely, the PRC.

The Company has made due enquiries pursuant to Rule 13.36(2) of the Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholder in the PRC and found that it would be lawful for the Company to offer the Rights Shares to the Shareholders with registered address in the PRC, even though the Prospectus Documents will not be registered in the PRC. Therefore, the Directors have decided to extend the Rights Issue to such Overseas Shareholders with registered address located in the PRC as shown on the register of members of the Company as at the Record Date.

The Company will continue to ascertain whether there is any other Overseas Shareholder on the Record Date and will, if necessary, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date and make relevant disclosures in the Prospectus.

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 and the Shareholders 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

The Underwriting Agreement

Date 12 November 2014

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 Latest Practicable Date, 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 under the general mandate of the Company 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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

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 the Announcement or this 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.

LETTER FROM THE BOARD

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 Latest Practicable Date		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)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
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 under the general mandate of the Company 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)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
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

LETTER FROM THE BOARD

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.

As confirmed by the Underwriter, on 25 November 2014 and 28 November 2014, the Underwriter has entered into sub-underwriting agreements with three independent sub-underwriters to sub-underwrite its underwriting obligations of up to 375,000,000 Rights Shares (under each of the extreme scenarios, which is for illustrative purpose only and is not likely to occur, that none of the Rights Shares is subscribed by the Qualifying Shareholders, the public float of the Company upon completion of the Rights Issue will exceed 25% of the issued share capital of the Company) and it is expected that none of the sub-underwriters will become a substantial Shareholder if so required to take up its portion of the Untaken Shares in full pursuant to its sub-underwriting obligations upon completion of the Rights Issue to ensure the public float requirements under Listing Rules will be complied. The three sub-underwriters consist of two individuals, namely Ms. Ho Siu Ping and Mr. Yang Zhijian and Elegant Mark Investment Limited, a company which is principally engaged in investments. Each of the sub-underwriters shall be required to sub-underwrite up to 125,000,000 Rights Shares pursuant to the relevant sub-underwriting agreements. To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, the above sub-underwriters and its ultimate beneficial owners and directors (where applicable) are Independent Third Parties.

LETTER FROM THE BOARD

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 Circular 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 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.

LETTER FROM THE BOARD

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.

As at the Latest Practicable Date, save and except for the MOU (as defined hereinafter), the Company has not entered or proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to acquire any new assets/businesses/companies and/or to disposed of the existing business 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.

LETTER FROM THE BOARD

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 the 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

LETTER FROM THE BOARD

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.

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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

Among the Short Term Debts, a borrowing from a financial institution amounted to approximately HK\$68 million has expired as at the Latest Practicable Date. 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 Latest Practicable Date, 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 Latest Practicable Date, 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 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, which the Company reserves annually based on actual expenses in the previous year to cover routine expenses such as administrative expenses, renting expenses, etc., is estimated to be approximately HK\$25 million.

As elaborated the unsatisfactory business performance of the Group in earlier paragraphs of this letter, 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 Rights Issue.

LETTER FROM THE BOARD

Financing alternatives considered by the Group

Other than 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 Last Trading Day, 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.

Overall, the Directors are confident that if the Rights Issue is completed, 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 Latest Practicable Date, 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. Depending on the then negotiation with the potential vendors, the Board will decide the form of involvement in these potential business opportunities on a case by case basis that can benefit the Group the most. It is the Company's preference to obtain the controlling stakes of any targets such that their financial results can be consolidated into the financial statements of the Company. However, the form of involvement depends on different factors such as the then financial resources of the Group, the size of the targets and the terms of the negotiations etc..

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\$369.88 million to not more than approximately HK\$444.48 million. The Board intends to utilize the proceeds from the Rights Issue as to (i) approximately HK\$326 million for settlement of the Short Term Debts; (ii) approximately HK\$25 million for general working capital of the Group; and (iii) any remaining be reserved for financing any acquisition opportunities identified or to be identified by the Company (including the possible Acquisition).

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 the 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.

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 alleviate the difficulties arising from the existence of odd lots of the Shares, the Company has procured a designated broker to arrange for the matching of the sales and purchases of odd lots of the Shares on behalf of the Shareholders. Holders of odd lots of Shares who wish to take advantage of this trading facility to dispose of or top up odd lots should contact Mr. Cyrus Wong at telephone number: +852 2157-5462 of Partners Capital Securities Limited located at B01, 10/F World Wide House, 19 Des Voeux Road Central, Hong Kong, during the period from Thursday, 22 January 2015 to Wednesday, 18 February 2015, both dates inclusive.

LETTER FROM THE BOARD

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.

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 Latest Practicable Date, 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.

SGM

The SGM will be held at 10:00 a.m. on Thursday, 18 December 2014 at 3/F, Victoria Room 2, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong and the notice of the SGM has been set out on pages 83 to 85 of this circular.

LETTER FROM THE BOARD

The form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment of it, if you so wish.

Subject to the Rights Issue being approved at the SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

RECOMMENDATION

The Independent Board Committee has been established to recommend to the Independent Shareholders in respect of the Rights Issue. Gram Capital has been appointed as the Independent Financial Adviser to recommend the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 39 to 40 of this Circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Gram Capital set out on pages 41 to 57 of this Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Gram Capital, considers that the terms of the Rights Issue are fair and reasonable and that the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution(s) relating to the Rights Issue at the SGM.

Having considered the letters from the Independent Board Committee and Gram Capital, the Directors consider that the terms of the Rights Issue are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM.

LETTER FROM THE BOARD

Having considered the reasons as set out herein, the Directors consider that the terms of the Rights Issue are fair and reasonable, on normal and commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.



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)

1 December 2014

To the Independent Shareholders

Dear Sir or Madam,

**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**

We refer to the circular dated 1 December 2014 (the “**Circular**”) of the Company of which this letter forms part. Capitalized terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

We have been appointed as the Independent Board Committee to consider the Rights Issue and to advise the Independent Shareholders as to the fairness and reasonableness of the Rights Issue and to recommend whether or not the Independent Shareholders should vote on the resolutions to be proposed at the SGM to approve the Rights Issue. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in such regards.

We wish to draw your attention to the letter from Gram Capital as set out on pages 41 to 57 of the Circular which contains, *inter alia*, its advice and recommendation to us and the Independent Shareholders regarding the terms and conditions of the Rights Issue with the principal factors and reasons for its advice and recommendation.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account solely the advice and recommendation of Gram Capital and all the factors and reasons considered by Gram Capital as set out in its letter of advice, we consider that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Tse Kwong Chan

Ms. Zhou Jue

Ms. Zhang Ruisi

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

1 December 2014

*To: The independent board committee and the independent shareholders
of China Environmental Energy Investment Limited*

Dear Sirs,

**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**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 1 December 2014 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 20 November 2014, the Board announced that the Company proposes to raise not less than approximately HK\$369.88 million and not more than approximately HK\$444.48 million, after deduction of the relevant 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 Rights Shares for every one existing Share held on the Record Date. The Rights Issue is fully underwritten by the Underwriter.

LETTER FROM GRAM CAPITAL

According to the Board Letter, the Rights Issue is conditional on, among other things, the relevant resolutions being approved by the Independent Shareholders at the SGM on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the 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.

The Independent Board Committee comprising Mr. Tse Kwong Chan, Ms. Zhou Jue and Ms. Zhang Ruisi (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote in relation to the Rights Issue at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Rights Issue. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriter or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Rights Issue

Business and financial overview of the Group

As referred to in the Board Letter, 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.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial results of the Group for the six months ended 30 September 2014 and the two financial years ended 31 March 2014 as extracted from the Company's interim results announcement for the six months ended 30 September 2014 and the annual report for the financial year ended 31 March 2014 (the “**2013/14 Annual Report**”), respectively:

	For the six months ended 30 September 2014 (unaudited) HK\$'000	For the year ended 31 March 2014 (audited) HK\$'000	For the year ended 31 March 2013 (audited) HK\$'000	Year on year change %
Turnover	15,046	59,808	99,655	(40.0)
Loss for the period/year	(32,176)	(1,422,913)	(391,231)	263.7

	As at 30 September 2014 (unaudited) HK\$'000	As at 31 March 2014 (audited) HK\$'000	As at 31 March 2013 (audited) HK\$'000	Year on year change %
Bank balances and cash	4,070	10,603	3,603	194.3
Bank and other borrowings	92,029	75,861	26,200	189.5
Net current liabilities	(290,240)	(124,058)	(270,604)	(54.2)
Net assets	134,417	150,313	161,978	(7.2)

As illustrated by the above table, the Group record a drop in turnover from approximately HK\$99.7 million for the financial year ended 31 March 2013 (“**FY2013**”) to approximately HK\$59.8 million for the financial year ended 31 March 2014 (“**FY2014**”), representing a decrease of approximately 40%. According to the 2013/14 Annual Report, the only continuing operating segment of the Group was waste recycling business. During the FY2014, this business recorded deteriorating performance which was primarily 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 rise in the costs of raw materials, minimum wage rate and manufacturing overheads also had a serious impact on the business performance.

LETTER FROM GRAM CAPITAL

In addition, there was escalation in loss made by the Group which amounted to approximately HK\$1,422.9 million for the FY2014, representing a significant increase of approximately 263.7% from the loss of approximately HK\$391.2 million for the FY2013. As extracted from the Board Letter and further confirmed by the Directors, although majority of the loss for the FY2014, being approximately HK\$1,202.6 million, 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.

As a result, the Company has completed a number of acquisitions since 31 March 2014. The details of the acquisitions were disclosed in the Board Letter and the announcements of the Company dated 24 January 2014, 12 May 2014 and 18 September 2014. In addition, the Company entered into the MOU on 15 August 2014 (as supplemented by a supplemental memorandum of understanding on 3 November 2014) 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 three 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. Nonetheless, based on the preliminary discussions between the Company and the vendor, the proposed consideration for the possible Acquisition shall be not more than HK\$760,000,000 and not less than 50% of the proposed consideration shall be paid in cash upon execution of the formal sale and purchase agreement. Shareholders may refer to the subsection headed "Recent acquisitions by the Company" in the Board Letter for further details of the Target Company. As at the Latest Practicable Date, save and except for the MOU, the Company has not entered or proposed to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to acquire any new assets/businesses/companies and/or to disposed of the existing business of the Group.

LETTER FROM GRAM CAPITAL

As illustrated from the table above, the Group had net current liabilities of approximately HK\$124.1 million as at 31 March 2014 and approximately HK\$290.2 million as at 30 September 2014. With reference to the Board Letter and the 2013/14 Annual Report, the net current liabilities position 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.

Moreover, the Group had bank and other borrowings of approximately HK\$92.0 million and bank balances and cash of approximately HK\$4.1 million as at 30 September 2014. As at the Latest Practicable Date, we were advised by the Directors that the Group had debt in the principal amount of approximately HK\$330 million. As advised by the Directors, 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 those liabilities that had either expired or will be expired in 2015 as well as their accrued interests in the amount of approximately HK\$326 million such that the Company can maintain a healthy financial position to continue its business developments. Shareholders may refer to the subsection headed "Financial position of the Group" in the Board Letter for the details of the debts.

Reasons for the Rights Issue and intended use of proceeds

As mentioned in the foregoing, the Short Term Debts is estimated at approximately HK\$326 million as at the Latest Practicable Date. With reference to the Board Letter, since 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 the Short Term Debts, the general working capital need for the Group for the next twelve months, which the Company reserves annually based on actual expenses in the previous year to cover routine expenses such as administrative expenses, renting expenses, etc., is estimated to be approximately HK\$25 million. Moreover, in view of the unsatisfactory business performance of the Group, the Group also has an imminent needs to raise sufficient cash to finalise the terms of the sale and purchase agreement for the possible Acquisition with the vendor to diversify the businesses of the Group.

LETTER FROM GRAM CAPITAL

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.

The estimated net proceeds from the Rights Issue, after deduction of the relevant expenses, are not less than approximately HK\$369.88 million to not more than approximately HK\$444.48 million. The Board intends to utilize the proceeds from the Rights Issue as to (i) approximately HK\$326 million for settlement of the Short Term Debts; (ii) approximately HK\$25 million for general working capital of the Group; and (iii) any remaining will be reserved for financing any acquisition opportunities identified or to be identified by the Company (including the possible Acquisition). 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.

As extracted from the Board Letter, as at the Latest Practicable Date, 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. Depending on the then negotiation with the potential vendors, the Board will decide the form of involvement in these potential business opportunities on a case by case basis that can benefit the Group the most. It is the Company's preference to obtain the controlling stakes of any targets such that their financial results can be consolidated into the financial statements of the Company. However, the form of involvement depends on different factors such as the then financial resources of the Group, the size of the targets and the terms of the negotiations etc..

In view of (i) the historical unsatisfactory financial performance of the Group; (ii) the imminent need of the Group to repay its Short Term Debts; (iii) the Group's need for new capital for business expansion and developments (without limitation to the possible Acquisition) in order to revive its future business; and (iv) the intended use of proceeds from the Rights Issue, we consider that the reasons for the Rights Issue are justifiable.

LETTER FROM GRAM CAPITAL

Other financing alternatives available to the Group

As advised by the Directors, the Board has considered various fund raising methods other than the Rights Issue. With reference to the Board Letter, 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.

As debt financing is not feasible for the Company, the Company has conducted the Share Placing under the general mandate of the Company as announced by the Company on 20 November 2014. The Board had further evaluated the possibilities of carrying out fund raising through rights issue or open offer, after taking into account (i) the recent market capitalisation of the Company; and (ii) that rights issue or open offer are both pre-emptive in nature, allowing the Qualifying Shareholders to maintain their respective pro-rata shareholdings through their participation. In comparison between rights issue and open offer, a rights issue allows the Qualifying Shareholders to (i) increase their shareholding interests in the Company by (a) acquiring additional rights entitlements in the open market (subject to availability); and/or (b) applying through excess applications for the Rights Shares; or otherwise (ii) dispose their rights entitlements in the open market (subject to availability). As an open offer does not allow the trading of rights entitlements, the Board is of the view that rights issue is more preferable than open offer.

Having taken into account the funding need of the Group, the possible benefits of the Rights Issue as well as the availability of and comparison with other financing alternatives, we concur with the Directors that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Rights Issue

The following table summarises the major terms of the Rights Issue:

Basis of the Rights Issue:	Eight Rights Shares for every one existing Share held on the Record Date
Subscription Price:	HK\$0.195 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	240,952,445 Shares

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Number of Shares in issue 289,260,121 Shares
assuming the Share
Placing under the general
mandate of the Company
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 under the general mandate of
the Company 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 Subscription Price represents:

- (a) a discount of approximately 73.29% to the closing price of HK\$0.73 per Share as quoted on the Stock Exchange on the Last Practicable Date;
- (b) a discount of approximately 82.43% to the closing price of HK\$1.110 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 83.28% to the average closing price of approximately HK\$1.166 per Share for the last five consecutive trading days up to and including the Last Trading Day as quoted on the Stock Exchange; and
- (d) a discount of approximately 34.28% to the theoretical ex-rights price of approximately HK\$0.2967 per Share after the Rights Issue, calculated based on the closing price of HK\$1.110 per Share as quoted on the Stock Exchange on the Last Trading Day.

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With reference to the Board Letter, the Subscription Price and subscription ratio were commercial decisions made by the Company after arm's length negotiations between the Company and the Underwriter with reference to (i) the existing financial difficulties encountered by the Group; (ii) the prevailing market price and trading liquidities of the Shares prior to the Last Trading Day; and (iii) recent market practices by other companies listed in Hong Kong. The Directors consider that the Subscription Price, which have been set at a deeper discount to the recent closing prices of the Shares, would encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future.

In addition, as indicated to the Company during the negotiation of the Underwriting Agreement, given the unsatisfactory financial performance of the Group and the imminent need of the Group to repay its Short Term Debts, 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.

3. Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analysis for illustrative purpose:

Comparison with other rights issue transactions

We have searched for the rights issue transactions (the “**Comparables**”) which were announced from 1 August 2014 up to the Last Trading Day (being the approximate four-month period prior to and including the Last Trading Day) by companies listed on the Stock Exchange so as to reflect the general trend of rights issue transactions in the recent market. To the best of our knowledge and as far as we are aware of, we found 26 rights issue transactions which met the aforesaid criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any independent verification with regard to the businesses and operations of the Comparables.

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Summarised below is our relevant finding:

Company name	Stock code	Date of announcement	Discount of	Discount of	Underwriting commission %
			the subscription price to the closing price per share on the last trading days prior to/ on the date of the announcements in relation to the respective rights issue %	the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading days prior to/ on the date of the announcements in relation to the respective rights issue %	
Pacific Andes International Holdings Limited	1174	11 November 2014	(44.60)	(35.00)	3.50
PICC Property and Casualty Company Limited	2328	4 November 2014	(47.40)	(45.30)	Information not available
Jingrui Holdings Limited	1862	3 November 2014	Nil	Nil	Information not available
Mongolian Mining Corporation	975	31 October 2014	(72.80)	(51.70)	3.00
Shangri-La Asia Limited	69	23 October 2014	Nil	Nil	1.00
China Strategic Holdings Limited	235	22 October 2014	(59.80)	(49.69)	2.50
Roma Group Limited	8072	20 October 2014	(56.73)	(25.00)	2.25
Agile Property Holdings Limited	3383	15 October 2014	(8.65)	(7.77)	1.75
China Taiping Insurance Holdings Company Limited	966	10 October 2014	(33.70)	(29.60)	(Note 1)
Unlimited Creativity Holdings Limited	8079	10 October 2014	(51.52)	(23.08)	2.50
Tonly Electronics Holdings Limited	1249	29 September 2014	(20.93)	(15.00)	Nil
First Credit Finance Group Limited	8215	18 September 2014	(78.00)	(47.00)	2.50
Easyknit Enterprises Holdings Limited	616	5 September 2014	(80.80)	(32.00)	1.00
Yuexiu Property Company Limited	123	3 September 2014	(25.15)	(20.38)	2.00 (Note 2)

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Company name	Stock code	Date of announcement	Discount of the subscription price to the closing price per share on the last trading days prior to/ on the date of the announcements in relation to the respective rights issue	Discount of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading days prior to/ on the date of the announcements in relation to the respective rights issue	Underwriting commission %
			%	%	
Bright Smart Securities & Commodities Group Limited	1428	3 September 2014	(27.54)	(20.00)	2.50
Midas International Holdings Limited	1172	2 September 2014	(46.80)	(37.10)	2.50
Country Garden Holdings Company Limited	2007	27 August 2014	(30.90)	(29.60)	1.75
Realord Group Holdings Limited (formerly known as Cheong Ming Investments Limited)	1196	27 August 2014	(13.00)	(10.70)	2.00
Venturepharm Laboratories Limited	8225	25 August 2014	(71.42)	(50.00)	Nil
Rui Kang Pharmaceutical Group Investments Limited	8037	20 August 2014	(19.60)	(13.98)	2.50
Guotai Junan International Holdings Limited	1788	18 August 2014	(9.56)	(8.15)	Nil
China Yunnan Tin Minerals Group Company Limited	263	18 August 2014	(65.22)	(14.57)	3.00
China Renji Medical Group Limited	648	17 August 2014	(52.60)	(42.60)	4.00
China New Economy Fund Limited	80	12 August 2014	(36.36)	(27.59)	2.50
South East Group Limited	726	11 August 2014	(71.43)	(21.88)	2.50
SMI Culture Group Holdings Limited	2366	8 August 2014	(83.33)	(35.66)	4.50
Range of discount/Range of commission			Nil to (83.33)	Nil to (51.70)	Nil to 4.50
Average			(42.61)	(26.67)	2.16
The Company	986	20 November 2014	(82.43)	(34.28)	1.00

Source: the relevant announcements posted on the Stock Exchange web-site (www.hkex.com.hk)

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Notes:

1. The underwriting commission is HK\$9.50 million.
2. At the sole discretion of the company, a discretionary incentive of 0.25% of the aggregate subscription price may be granted to the underwriters.

As shown by the above table, the discount as represented by the subscription prices of the Comparables to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements ranged from nil to 83.33% (the “**LTD Market Range**”). The discount of approximately 82.43% to the closing price of the Shares on the Last Trading Day as represented by the Subscription Price (the “**LTD Discount**”) hence falls within the LTD Market Range.

Furthermore, the discount as represented by the subscription prices of the Comparables to the respective theoretical ex-rights prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements ranged from nil to 51.70% (the “**TERP Market Range**”). The discount of approximately 34.28% to the theoretical ex-rights price as represented by the Subscription Price (the “**TERP Discount**”) hence also falls within the TERP Market Range.

Conclusion

As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors considered that the deep discount to the recent closing prices of the Shares as represented by the Subscription Price would encourage the Qualifying Shareholders to participate in the Rights Issue and maintain their respective shareholding interests in the Company accordingly, and to take part in the future growth of the Company. In addition, as indicated to the Company during the negotiation of the Underwriting Agreement, given the unsatisfactory financial performance of the Group and the imminent need of the Group to repay its Short Term Debts, 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. 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.

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In light of the above, we concur with the Directors that it would be difficult to attract the Qualifying Shareholders to further invest in the Company through the Rights Issue or procure an underwriter if the Subscription Price was not set at rather deep discount to the historical closing prices of the Shares. Having also taken into account that the LTD Discount and the TERP Discount are within the LTD Market Range and the TERP Market Range respectively, we are of the opinion that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. Underwriting arrangement

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Rights Shares not subscribed for by the Qualifying Shareholders on a fully underwritten basis, subject to the terms and conditions of the Underwriting Agreement with an underwriting commission of 1.0% of the aggregate Subscription Price in respect of the number of Underwritten Shares (the “**Underwriting Commission**”). With reference to the Board Letter, the Underwriting Commission was determined after arm’s length negotiations between the Company and the Underwriter with reference to, among other things, the existing financial position of the Company, the size of the Rights Issue, and the current and expected market conditions. The Board considered that the Underwriting Commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

From the table under the sub-section headed “Comparison with other rights issue transactions” of this letter, we noted that the Underwriting Commission falls within the range of commissions of nil to 4.5% received by underwriters in other rights issue transactions. Accordingly, we are of the opinion that the Underwriting Commission is in line with market practice.

5. Application for excess Rights Shares

With reference to the Board Letter, 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.

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Taking into account the above principal terms of the Rights Issue and the Underwriting Agreement, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Possible dilution of the shareholding interests of the existing public Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

As in all other cases of rights issues and open offers, dilution on the shareholdings of those Qualifying Shareholders who do not take up in full their assured entitlements under the Rights Issue is inevitable. Nonetheless, Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, where all Qualifying Shareholders do not accept the Rights Issue and hence the Underwriter is obligated to take up the unsubscribed Rights Shares, the shareholding interests of the Qualifying Shareholders in the Company will be diluted by a maximum of approximately 88.89 percent point. Details of such dilution effect are presented in the table under the sub-section headed “Shareholding structure of the Company in respect of the Rights Issue” of the Board Letter.

We are aware of the potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- Independent Shareholders are given the chances to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;
- Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- the Rights Issue offers the 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 prices of the Shares; and

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- 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, we concur with the Directors that the potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

7. Possible financial effects of the Rights Issue

Effect on net tangible assets

An unaudited pro forma statement of adjusted consolidated net tangible asset value (“NTAV”) of the Group attributable to owners of the Company as at 30 September 2014 as if the Rights Issue had taken place on 30 September 2014 is set out in Appendix II to the Circular (the “**Statement**”).

Based on the Statement, the unaudited consolidated liabilities less tangible assets of the Group attributable to owners of the Company was approximately HK\$(78,068,000) as at 30 September 2014. Assuming there is no new Share being issued and no Share being repurchased by the Company, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated NTAV of the Group would become approximately HK\$291,809,000 and approximately HK\$0.13 per Share based on the Statement.

Effect on working capital

As advised by the Directors, as part of the net proceeds from the Rights Issue will be used as general working capital of the Group, the working capital position of the Group may be improved upon completion of the Rights Issue.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Rights Issue and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the six months ended 30 September 2014 has been disclosed on pages 1 to 15 of the interim results announcement of the Company for six months ended 30 September 2014 published on 27 November 2014; (ii) for the year ended 31 March 2014 has been disclosed on pages 39 to 150 of the annual report of the Company for the year ended 31 March 2014 published on 28 July 2014; (iii) for the year ended 31 March 2013 has been disclosed on pages 37 to 146 of the annual report of the Company for the year ended 31 March 2013 published on 30 July 2013; and (iv) for the year ended 31 March 2012 has been disclosed on pages 36 to 144 of the annual report of the Company for the year ended 31 March 2012 published on 31 August 2012. The aforesaid interim results announcement and annual reports of the Company have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.986.com.hk/>).

B. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this Circular, the Group had outstanding (i) bank borrowings amounting to an aggregate of RMB19 million, which are secured by guarantees given by certain parties not connected with the Group; (ii) other borrowings amounting to HK\$68 million, which are secured by the pledge of the Group's 80% equity interest in Ideal Market Holdings Limited, a subsidiary of the Company, bear interest at 36% per annum and have been overdue for repayment; (iii) unsecured convertible bond payable by the Company with the principal amount of HK\$1.8 million, which bears interest at 8% per annum, is due on 28 April 2015 and is convertible into Shares of the Company at the conversion price of HK\$15.36 per Share; (iv) unsecured non-convertible notes payable by the Company with the principal amount of HK\$20 million, which bear interest at 5% per annum and are due on 31 May 2017; and (v) unsecured promissory notes payable by the Company with the principal amounts of HK\$5 million, HK\$123.2 million, HK\$30 million and HK\$58 million, which bear interests at 5.25%, 8%, 8% and 8% per annum respectively and are due on 31 January 2013, 28 April 2015, 19 May 2015 and 5 October 2015 respectively.

As at 31 October 2014, the Company is involved in a litigation regarding the promissory note payable by the Company amounting to HK\$5 million, details of which are set out in the section headed "Litigation" of Appendix III to this Circular.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantee or other material contingent liabilities at the close of business on 31 October 2014.

C. WORKING CAPITAL

The Directors are of the opinion that, after taking into account (i) the financial resources presently available to the Group; (ii) receipt by the Group of the estimated net proceeds from the Rights Issue in accordance with the expected timetable set out in the Circular, (iii) repayments of the promissory note payable with the principal amount of HK\$5 million (see section headed “Litigation” of Appendix III to the Circular) and the borrowings amounting to HK\$68 million, all of which have been overdue for settlements at the Latest Practicable Date, to be financed by the proceeds from the Rights Issue, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements that is for at least the next twelve months following the date of this Circular.

D. MATERIAL ADVERSE CHANGE

As disclosed in the interim results announcement of the Company dated 27 November 2014, the turnover of the Group from continuing operations for the six months ended 30 September 2014 was HK\$15,046,000, representing a 64.44% decrease as compared with HK\$42,308,000 of the previous year. Gross profit from continuing operations was RMB710,839 equivalent to HK\$899,000 (2013: RMB2,834,000 equivalent to HK\$3,514,000) and gross margin was 5.98% (2013: 8.31%). The decrease in gross profit was attributable to decrease in sale price of the recycling paper, continuous rise in the costs of raw materials, manufacturing overheads and minimum wage rate. Operating loss from continuing operations after tax of the Group was HK\$32,176,000 which included a loss of HK\$84,000 on change in fair value of financial liabilities designated at fair value through profit or loss (2013: loss of HK\$217,845,000).

Save as disclosed above, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospect of the Group since 31 March 2014, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

E. FINANCIAL AND TRADING PROSPECTS

On 28 March 2013, the Company has entered into a sale and purchase agreement to dispose of the entire equity interests in Nam Hing (B.V.I.) Limited and its subsidiaries (altogether the “**Disposed Group**”), mainly engaged in trading and manufacturing of printed circuit boards and trading of industrial laminates (the “**Disposal**”). The Disposal was completed on 10 April 2013. The principal activities of the Group become recycling of waste paper, scrap metal and consumable wastes subsequent to the completion of the Disposal.

Since the Company’s acquisition of its recycling business, the turnover of recycling business decreased year by year and fell short of the forecast made at 31 March 2012. This deteriorating performance was 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 rise in the costs of raw materials, minimum wage rate and manufacturing overheads have a serious impact on the Group’s business performance.

In view of the deteriorating performance of the remaining business of the Group, the Group has been exploring and pondering ways to strength the source of income and improve the financial position including but not limited to acquisition of 10% of the issued share capital of Pure Power Holdings Limited which principally engaged in the exploration and exploitation of natural resources in the United States of America on 29 April 2014 and acquisition of 9.9% of the issued share capital of Starfame Investment Limited which is principally engaged in wholesale and distribution products encompassing various aspects of production and livelihood on 20 May 2014. In addition, 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) in relation to the possible Acquisition. Further details of the possible Acquisition has been set out in the letter from the Board of this Circular.

The Company will strive to boost its business development and enhance financial and operating performance, so as to create better returns for shareholders in the long run. To pursue in this direction, the Group will continue looking for business opportunities and potential acquisitions actively. It will also actively seek for market opportunities in order to broaden its capital base and to enhance its income source.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “**Unaudited Pro Forma Financial Information**”) which has been prepared to illustrate the effect of the Rights Issue on the unaudited consolidated liabilities less tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 September 2014.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 as extracted from the announcement of interim results of the Company for the six months ended 30 September 2014 and is adjusted for the effect of the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Rights Issue or any future date after completion of the Rights Issue.

Scenario 1: Assuming there is no new Share being issued and no Share being repurchased by the Company

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Goodwill and intangible assets of the Group as at 30 September 2014 <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited consolidated liabilities less tangible assets of the Group attributable to owners of the Company as at 30 September 2014 <i>HK\$'000</i> <i>(Note 3)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 4)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after completion of the Rights Issue <i>HK\$'000</i> <i>(Note 5)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Notes 6 and 7)</i>
Scenario 1 Based on 1,927,619,560 Rights Shares to be issued	137,840	215,908	(78,068)	369,877	291,809	0.13

Notes:

1. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2014 contained in the announcement of interim results of the Company for the six months ended 30 September 2014.
2. Goodwill and intangible assets of the Group as at 30 September 2014 are extracted from the unaudited condensed consolidated statement of financial position referred to in Note 1 above, and are comprised of the goodwill and intangible assets of HK\$185,838,000 and HK\$30,070,000 respectively as at that date.
3. The unaudited consolidated liabilities less tangible assets of the Group attributable to owners of the Company as at 30 September 2014 represent the amount of the consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 less goodwill and intangible assets of the Group as at that date.
4. The estimated net proceeds from the Rights Issue of approximately HK\$369,877,000 are calculated based on 1,927,619,560 Rights Shares to be issued at the subscription price of HK\$0.195 per Rights Share and after deduction of estimated related expenses of approximately HK\$6,009,000.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after completion of the Rights Issue are arrived at based on the unaudited consolidated liabilities less tangible assets of the Group attributable to owners of the Company as at 30 September 2014 and after making adjustment referred to in Note 4 above.
6. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue is arrived at on the basis that 2,168,572,005 Shares (comprising 240,952,445 Shares in issue as at 30 September 2014 and 1,927,619,560 Shares to be issued under the Rights Issue) were in issue assuming the Rights Issue had been completed on the Latest Practicable Date.
7. No adjustment has been made to reflect the operating results or other transactions of the Group entered into subsequent to 30 September 2014.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Scenario 2: Assuming there is no new Share being issued other than Shares being issued arising from the placement of all Placing Shares pursuant to the Share Placing and conversion of the Existing Convertible Bonds and no Share being repurchased by the Company

	Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 <i>HK\$'000</i> <i>(Note 1)</i>	Goodwill and intangible assets of the Group as at 30 September 2014 <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited consolidated liabilities less tangible assets of the Group attributable to owners of the Company as at 30 September 2014 <i>HK\$'000</i> <i>(Note 3)</i>	Estimated pro forma fair value of convertible bonds <i>HK\$'000</i> <i>(Note 4)</i>	Estimated net proceeds from the placing of Shares <i>HK\$'000</i> <i>(Note 5)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 6)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after completion of the Rights Issue <i>HK\$'000</i> <i>(Note 7)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue <i>HK\$</i> <i>(Notes 8 and 9)</i>
Scenario 2 Based on 2,314,080,968 Rights Shares to be issued	137,840	215,908	(78,068)	1,900	31,288	444,483	399,603	0.15

Notes:

- The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2014 contained in the announcement of interim results of the Company for the six months ended 30 September 2014.
- Goodwill and intangible assets of the Group as at 30 September 2014 are extracted from the unaudited condensed consolidated statement of financial position referred to in Note 1 above, and are comprised of goodwill and intangible assets of HK\$185,838,000 and HK\$30,070,000 respectively as at that date.
- The unaudited consolidated liabilities less tangible assets of the Group attributable to owners of the Company as at 30 September 2014 represent the amount of the consolidated net assets of the Group attributable to owners of the Company as at 30 September 2014 less goodwill and intangible assets of the Group as at that date.
- The estimated pro forma fair value of convertible bonds represents the fair value of the Existing Convertible Bonds as at 30 September 2014 extracted from the unaudited condensed consolidated statement of financial position of the Group referred to in Note 1 above.

The Existing Convertible Bonds represent the convertible bonds issued by the Company with the principal amount of HK\$1,800,000 due on the maturity date of 28 April 2015. The holders of the Existing Convertible Bonds have the right to convert the whole or part of the convertible bonds at any time from the issue date up to the close of business on the third last day preceding the maturity date at the conversion price of HK\$15.36 per Share.

5. The estimated net proceeds from the placing of shares of approximately HK\$31,288,000 are calculated based on 48,190,489 Shares to be issued at the placing price of HK\$0.66 per Share and after deduction of estimated related expenses of approximately HK\$518,000.
6. The estimated net proceeds from the Rights Issue of approximately HK\$444,483,000 are calculated based on 2,314,080,968 Rights Shares to be issued at the subscription price of HK\$0.195 per Rights Share and after deduction of estimated related expenses of approximately HK\$6,762,000.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company after completion of the Rights Issue are arrived at based on the unaudited consolidated liabilities less tangible assets attributable to owners of the Company as at 30 September 2014 and after making adjustments referred to in Notes 4, 5 and 6 above.
8. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue is arrived at on the basis that 2,603,341,089 Shares (comprising 240,952,445 Shares in issue as at 30 September 2014, 117,187 Shares to be issued on conversion of the Existing Convertible Bonds, 48,190,489 Shares to be issued under the Share Placing and 2,314,080,968 Shares to be issued under the Rights Issue) were in issue assuming the Rights Issue had been completed on the Latest Practicable Date.
9. No adjustment has been made to reflect any operating results or other transactions of the Group entered into subsequent to 30 September 2014.

The following is the text of an accountants' report received from CCTH CPA Limited, Certified Public Accountants, Hong Kong, for inclusion in the Circular, in respect of the unaudited pro forma financial information relating to the Group as set out in this Appendix II.

**CCTH CPA LIMITED**

中正天恆會計師有限公司

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statements of adjusted consolidated net tangible assets of the Group as at 30 September 2014 and related notes as set out on pages 61 to 64 of Appendix II to the circular issued by the Company dated 1 December 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 61 to 64 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of shares of the Company on the Group's financial position as at 30 September 2014 as if the proposed rights issue had taken place at 30 September 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited financial information for the six months ended 30 September 2014.

Directors' Responsibilities for the Pro forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2014 would have been as presented.

The reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CCTH CPA Limited

Certified Public Accountants

Hong Kong

1 December 2014

Lee Chi Hang

Practising certificate number P01957

Unit 5-6, 7/F, Greenfield Tower, Concordia Plaza,

1 Science Museum Road, Tsim Sha Tsui,

Kwloon, Hong Kong

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue is expected to be as follows:

(i) As at the Latest Practicable Date

		<i>HK\$</i>
<i>Authorized:</i>		
<u>100,000,000,000</u>	Shares	<u>1,000,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>240,952,445</u>	Shares	<u>2,409,524.45</u>

- (ii) *Immediately after completion of the Rights Issue (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date)*

HK\$

Authorized:

<u>100,000,000,000</u>	Shares	<u>1,000,000,000.00</u>
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Issued and fully paid:

240,952,445	Shares	2,409,524.45
<u>1,927,619,560</u>	Rights Shares	<u>19,276,195.60</u>
<u>2,168,572,005</u>	Total	<u>21,685,720.05</u>

- (iii) *Immediately after completion of the Rights Issue (assuming no new Share being issued other than the placement of all Placing Shares pursuant to the Share Placing under the general mandate of the Company and the conversion of the Existing Convertible Bonds in full and no Share being repurchased by the Company on or before the Record Date)*

HK\$

Authorized:

<u>100,000,000,000</u>	Shares	<u>1,000,000,000.00</u>
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Issued and fully paid:

240,952,445	Shares	2,409,524.45
48,190,489	Placing Shares	481,904.89
117,187	Shares upon conversion of the Existing Convertible Bonds in full	1,171.87
<u>2,314,080,968</u>	Rights Shares	<u>23,140,809.68</u>
<u>2,603,341,089</u>	Total	<u>26,033,410.89</u>

All of the Rights Shares will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the Existing Convertible Bonds, the Company had no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Rights Shares and the Conversion Shares.

3. DISCLOSURE OF INTEREST

(a) Interests of Directors

As at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Nature of Interest	Number of Shares interested	Total	Approximately attributable percentage of shareholding of the Company
The Underwriter <i>(Note)</i>	Beneficial owner	2,314,080,968	2,314,080,968	88.89
Cheng Hei Yu <i>(Note)</i>	Interest of a controlled corporation	2,314,080,968	2,314,080,968	88.89

Note: The 2,314,080,968 Shares are the Rights Shares (maximum entitlement) which the Underwriter is interested under the Underwriting Agreement on the assumption of no Qualifying Shareholders take up their respective entitlements under the Rights Issue. According to the disclosure of interests forms filed, the Underwriter is owned by Cheng Hei Yu as to 99%.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2014 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and any of their associates had interest in a business which competes or may compete with the business of the Group, or may have any conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

6. LITIGATION

The Company announced that a writ of summons (the “**Writ**”) was issued in the Court of First Instance of the High Court of Hong Kong by First Federal Capital Limited (“**FDCL**”) against the Company and it was served on the Company by FDCL’s legal adviser on 8 July 2013. In the statement of claim under the Writ, FDCL claims as the holder in due course or, alternatively, the holder for value of a promissory note with principal amount of HK\$5,000,000 issued by the Company (the “**Promissory Note**”) and claims for the principal amount of HK\$5,000,000 under the Promissory Note, together with interest and costs.

The Promissory Note was issued by the Company to All Prosper Group Limited (the “**Note Holder**”) and was due on 31 January 2013. The Company has been in negotiation with the Note Holder for extension of the maturity date for the Promissory Note but as there has been dispute between the Note Holder with FDCL on the ownership of the Promissory Note, the negotiation for extension is pending. FDCL has through its legal adviser requested the Company to register a transfer of the Promissory Note from the Note Holder to FDCL but has not delivered all necessary documents as requested by the Company and as required under the terms and conditions of the Promissory Note. The Company considered that the registration of the transfer of the Promissory Note shall only be made upon strict compliance with the terms and conditions of the Promissory Note for the interest of the Company. The Company has made enquiry to the Note Holder on the transfer of the Promissory Note to FDCL and was informed that the Note Holder has all along been the registered holder of the Promissory Note and has not effected any transfer of the Promissory Note. The Company has instructed legal adviser to contest the claim and to handle all other legal issues arising with FDCL in connection with the dispute.

The Company will keep the shareholders of the Company and potential investors informed of any further material developments in connection with the above action by way of further announcement(s) as and when appropriate.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advices, which are contained in this Circular.

Name	Qualifications
CCTH CPA Limited	Certified Public Accountants
Gram Capital Limited	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as set out in schedule 5 to the SFO

Each of CCTH CPA Limited and Gram Capital has given and not withdrawn their written consents to the issue of this Circular with the inclusion of its letters, references to its name and/or its advices in the form and context in which they respectively appear.

9. EXPERTS' INTERESTS IN ASSETS

As at the Latest Practicable Date, each of CCTH CPA Limited and Gram Capital:

- (a) was not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2014, being the date to which the latest published audited consolidated accounts of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda while the principal office of the Company is situated at Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway, Hong Kong.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Mr. Leung Chi Wing, Billy ("**Mr. Leung**"). Mr. Leung is the financial controller of the Company Since January 2011. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators in the United Kingdom. He holds a bachelor's degree in Accountancy and has extensive experience in finance, accounting and company secretarial functions.
- (d) The English text of this Circular and the accompanying form of proxy shall prevail over their respective Chinese texts in the case of inconsistency.

11. MATERIAL CONTRACTS

The Group had entered into the following contracts within two years immediately preceding the date of this Circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

- (A) the Share Placing Agreement;
- (B) the Underwriting Agreement;
- (C) a sale and purchase agreement entered into between the Company as the purchaser and Ms. Chow Yan Ping as the vendor on 18 September 2014 for the acquisition of the entire share capital of Asian Champion Limited at the consideration of HK\$58 million. The vendor was an Independent Third Party;
- (D) a sale and purchase agreement entered into between the Company as the vendor and Lucky East International Limited as the purchaser on 4 June 2014 for the disposal of the entire share capital of Swift Profit International Limited at the consideration of HK\$66 million. The purchaser was an Independent Third Party;
- (E) a placing agreement entered into between the Company as the issuer and the Tanrich Securities Company Limited as placing agent on 27 May 2014 for the placing of up to 180,000,000 new shares of the Company at the placing price of HK\$0.107 per placing share. The placing agent was an Independent Third Party;

- (F) a sale and purchase agreement entered into between the Company as the purchaser and Main Global Group Limited as the vendor on 12 May 2014 for the acquisition of the 9.9% of the entire issued share capital of Starfame Investments Limited at the consideration of HK\$30 million. The vendor was an Independent Third Party;
- (G) a sale and purchase agreement entered into between the Company as the purchaser and Fortune Glow Limited as the vendor on 20 January 2014 for the acquisition of the 10% of the entire issued share capital of Pure Power Holdings Limited at the consideration of HK\$125 million. The vendor was an Independent Third Party;
- (H) a placing agreement entered into between the Company as the issuer and the KGI Asia Limited as placing agent on 6 January 2014 for the placing of convertible notes with principal amounts up to HK\$800 million of the Company by maximum of five tranches, which was subsequently terminated on 9 January 2014. The placing agent was an Independent Third Party;
- (I) a placing agreement entered into between the Company as the issuer and the Emperor Securities Limited as placing agent on 18 November 2013 for the placing of up to 83,563,934 new shares of the Company at the placing price of HK\$2.01 per placing share. The placing agent was an Independent Third Party;
- (J) a subscription agreement entered into between the Company as the issuer and Yang Yunan as subscriber on 22 August 2013 for the subscription of 12,800,000 new shares of the Company at the subscription price of HK\$1.13 per subscription share. The subscriber was an Independent Third Party;
- (K) a sale and purchase agreement entered into between the Company as the vendor and Nature Ample Limited as the purchaser and Mr. Lau Chung Yim as the guarantor on 28 March 2013 for the disposal of the entire issued share capital of Nam Hing (B.V.I.) Limited at the consideration of HK\$2 million. The purchaser was wholly and beneficially owned by Mr. Lau Chung Yim, a former executive director of the Company resigned on 15 March 2012 and a director of the disposed group. Accordingly, the purchaser was a connected person of the Company; and
- (L) a subscription agreement entered into between the Company as the issuer and Mei ChaoHui as subscriber on 4 March 2013 for the subscription of 6,560,000 new shares of the Company at the subscription price of HK\$1.2 per subscription share. The subscriber was an Independent Third Party.

12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head Office and principal place of business	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Authorized representatives	Ms. Chan Ching Ho, Kitty Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong Mr. Leung Chi Wing, Billy Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Company secretary	Mr. Leung Chi Wing, Billy Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Legal advisers to the Company and in relation to the Rights Issue	As to Hong Kong Law Li, Wong, Lam & W. I. Cheung 22/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong As to Bermuda Law Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong

Financial adviser	United Simsen Securities Limited Suites 7001-7002 & 7016, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Auditors and reporting accountants	CCTH CPA LIMITED Unit 5-6, 7/F, Greenfield Tower Concordia Plaza 1 Science Museum Road Tsim Sha Tsui Kowloon Hong Kong
Independent Financial Adviser	Gram Capital Limited Room 1209, 12/F Nan Fung Tower 173 Des Voeux Road Central Hong Kong
Underwriter	Win Fung Securities Limited 12/F, OTB Building, 259-265 Des Voeux Road Central, Hong Kong
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited G/F, The Center, 99 Queen's Road Central, Central, Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central,
Central, Hong Kong

Wing Lung Bank, Ltd
15/F Wing Lung Bank Building
45 Des Voeux Road, Central
Hong Kong

Industrial and Commercial Bank of China Limited
33/F, ICBC Tower,
3 Garden Road,
Central, Hong Kong

13. EXPENSES

The expenses in connection with the Right Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$6.0 million to HK\$6.8 million, which are payable by the Company.

14. PARTICULARS OF DIRECTORS OF THE COMPANY

Name	Correspondence Address
<i>Executive Directors</i>	
Ms. Chen Tong	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Ms. Chan Ching Ho, Kitty	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong

Name	Correspondence Address
Mr. Xiang Liang	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Ms. Li Lin	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
<i>Non-executive Directors</i>	
Ms. Yao Zhengwei	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Mr. Wang Zhenghua	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
<i>Independent non-executive Directors</i>	
Mr. Tse Kwong Chan	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Ms. Zhou Jue	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong
Ms. Zhang Ruisi	Room 2211, 22/F Lippo Centre, Tower Two 89 Queensway Hong Kong

Profiles of Directors***Executive Directors***

Ms. Chen Tong (“**Ms. Chen**”), aged 50, is the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and an executive director of the Company. She joined the Group in December 2010. Ms. Chen graduated from Tongji University in 2002 with a bachelor’s degree in administrative management. She is currently the vice general manager of a logistic company in the PRC. She has over 11 years experience in the banking industry and is an economist.

Ms. Chan Ching Ho, Kitty (“**Ms. Chan**”), aged 58, is an executive director and a member of the Executive Committee, Remuneration Committee and Nomination Committee of the Company. She joined the Group in March 2010. Ms. Chan holds (i) a certificate in real estate agency practice from School of Professional and Continuing Education, the University of Hong Kong; (ii) a professional diploma in estate and facilities management from the Hong Kong Productivity Council; and (iii) a certificate course for management and instructors in security and property management from Hong Kong College of Technology. Prior to joining the Board, Ms. Chan has around 30 years’ experience in sales and marketing and property management in Hong Kong.

Mr. Xiang Liang (“**Mr. Xiang**”), aged 45, is an executive director and a member of the Executive Committee of the Company. He joined the Group in March 2010. Mr. Xiang holds a degree in accounting and finance from Shanghai TV University (now known as “Shanghai Open University”) and is a banker of Hongkou Qu, Shanghai Branch, China Construction Bank for more than 20 years.

Ms. Li Lin (“**Ms. Li**”), aged 26, was appointed as an executive director and a member of the Executive Committee of the Company with effect from 1 December 2012. Ms. Li obtained her Bachelor of Engineering Degree specialized in greening and environmental protection from Shanghai Institute of Business & Technology in the PRC in 2011. She joined Suzhou Baina Renewable Resources Co., Ltd., a principal indirectly owned subsidiary of the Company in the PRC, as the head of Operations Department since 2011.

Non-executive Directors

Ms. Yao Zhengwei (“**Ms. Yao**”), aged 28, is a non-executive director of the Company. She joined the Company in January 2011. Ms. Yao graduated in Shanghai Jiao Tong University and is now working in the investment division of a fund management company.

Mr. Wang Zhenghua (“**Mr. Wang**”), aged 32, is a non-executive director of the Company. He joined the Company in June 2011. He graduated from University of Shanghai for Science and Technology in 2006 with a Bachelor’s degree in marketing. Mr. Wang has been working in the field of sales, marketing and communications in the PRC for 7 years.

Independent Non-executive Directors

Ms. Zhang Ruisi (“**Ms. Zhang**”), aged 27, is an independent non-executive director of the Company and the Chairman of both the Audit Committee and the Nomination Committee of the Company with effect from 1 September 2014. Ms. Zhang obtained a bachelor degree in business administration from The Chinese University of Hong Kong in 2009 and is now studying for a master degree in finance at The University of Hong Kong. She has over 4 years of experience in auditing listed companies and is a member of Hong Kong Institute of Certified Public Accountants. She is currently the financial manager of a private institution.

Mr. Tse Kwong Chan (“**Mr. Tse**”), aged 44, is an independent non-executive director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. He joined the Company in March 2011. He graduated from Dawson College, Canada with a degree majoring in Mathematics in 1991. Mr. Tse has over 21 years of working experience in the area of sales and marketing and management.

Ms. Zhou Jue (“**Ms. Zhou**”), aged 28, is an independent non-executive director of the Company. She is also a member of both the Audit Committee and the Remuneration Committee of the Company. She joined the Company in December 2010. Ms. Zhou studied corporate management in Shanghai Maritime University. She is currently an investment consultant in an investment management company and she has experience in hotel management.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours in any weekday (excluding Saturdays, Sundays and public holidays) at the office of the Company at Room 2211, 22/F, Lippo Centre, Tower Two, 89 Queensway, Hong Kong from the date of this Circular up to and including the date of the SGM:

- (a) the memorandum of association and Bye-Laws of the Company;
- (b) the “Letter from the Board” as set out in this Circular;
- (c) the “Letter from the Independent Board Committee” as set out in this Circular;
- (d) the “Letter from Gram Capital” as set out in this Circular;
- (e) the annual reports of the Company for each of the three financial years ended 31 March;
- (f) the written consents referred to in the paragraph headed “Experts and Consents” to this Appendix;
- (g) the material contracts referred to in the paragraph headed “Material Contracts” to this Appendix;
- (h) the unaudited pro forma financial information of the Group as set out in Appendix II to this Circular;
- (i) a copy of each of the circulars issued by the Company pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 March 2014, being the date of the latest published audited accounts of the Company; and
- (j) this Circular.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of China Environmental Energy Investment Limited (the “Company”) will be held at 3/F, Victoria Room 2, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Thursday, 18 December 2014 at 10:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT

- (a) the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; For the purpose of this resolution, “Rights Issue” means the proposed allotment and issue of not less than 1,927,619,560 new Shares each ranking *pari passu* in all respects with existing Shares of the Company (the “**Rights Shares**”) and not more than 2,314,080,968 Rights Shares pursuant to an offer by way of rights to the holders of Shares (the “**Shareholders**”) at the subscription price of HK\$0.195 per Rights Share in the proportion of eight (8) Rights Shares for every one (1) existing Share held by the Shareholders whose names appear on the register of members of the Company on 29 December 2014 (or such later date as the Company and the Underwriter (as defined in paragraph (b) of this resolution) may agree to be the record date for such Rights Issue) (the “**Record Date**”) other than those Shareholders whose addresses on the Record Date are outside Hong Kong whom the Directors, based on legal advice provided on the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account of either the legal restrictions under the laws of the relevant place or the requirement of the relevant regulatory body or stock exchange in that place, as described in further detail in a circular issued by the Company dated 1 December 2014 (“**Circular**”) of which the notice convening this meeting forms part;

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

- (b) the execution, delivery and performance of the underwriting agreement dated 12 November 2014 (the “**Underwriting Agreement**”) and entered into between the Company and Win Fung Securities Limited (the “**Underwriter**”) (a copy of which is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification), in relation to the Rights Issue and the transactions contemplated thereunder and all actions taken or to be taken by the Company pursuant to or incidental to the Underwriting Agreement be and are hereby approved, confirmed and ratified;
- (c) subject to the fulfillment or waiver of the conditions set out in the Underwriting Agreement, any Director be and is hereby authorized to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue;
- (d) any one or more of the Directors be and is/are hereby authorized to do all such acts and things, including but without limitation to the execution of all such documents under seal where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, including but without limitation, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree to such variations of the terms of the Underwriting Agreement as he/she may consider to be appropriate and in the interests of the Company.”

Yours faithfully

By Order of the Board

China Environmental Energy Investment Limited

Chen Tong

Chairman

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and principal

place of business:

Room 2211, 22/F
Lippo Centre, Tower Two
89 Queensway
Hong Kong

1 December 2014

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A form of proxy for use at the SGM is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the SGM convened by the above notice shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder of the Company. A Shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding of the above SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 24 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.
5. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the SGM convened or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the SGM, whether in person or by proxy, priority shall be determined by the order in which the names stand on the register of members of the Company in respect of the joint holding.
7. The register of members will be closed from Wednesday, 17 December 2014 to Thursday, 18 December 2014, both days inclusive, on which no transfer of shares will be effected. In order to qualify for attendance of the special general meeting, all transfer forms accompanied by the relevant share certificates must be lodged 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 no later than 4:30 p.m. on Tuesday, 16 December 2014.
8. As at the date of this notice, the board of Directors 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 Mr. Tse Kwong Chan, Ms. Zhou Jue and Ms. Zhang Ruisi.