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PACIFIC PLYWOOD HOLDINGS LIMITED

太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 767)



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)

JOINT ANNOUNCEMENT

**MAJOR TRANSACTION
SUBSCRIPTION OF CONVERTIBLE
NOTES PROPOSED TO BE ISSUED BY
CHINA ENVIRONMENTAL ENERGY
INVESTMENT LIMITED**

AND

**POSSIBLE MAJOR TRANSACTION
POSSIBLE CONVERSION OF
THE CONVERTIBLE NOTES**

**PROPOSED ISSUANCE OF
CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE**

On 26 June 2012 (after trading hours), the Issuer entered into the Subscription Agreement with the Subscriber pursuant to which the Issuer has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for the Convertible Notes in the aggregate principal amount of HK\$95 million in cash. Subject to the terms and conditions of the Convertible Notes, they may be converted into Conversion Shares.

The Issuer Directors proposed to seek the approval from the Issuer Shareholders at the Issuer SGM to issue the Convertible Notes and the Conversion Shares. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Notes.

As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) for the Subscriber in relation to the Subscription and the possible conversion of the Convertible Notes exceed 25% but less than 100%, each of the Subscription and the possible conversion of the Convertible Notes constitutes a major transaction of the Subscriber under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Subscription and the possible conversion (as the case may be) are conditional upon, among other things, the passing of the necessary resolution(s) by the Issuer Shareholders at the Issuer SGM and the passing of the necessary resolution(s) by the Subscriber Shareholders at the Subscriber SGM.

Each of the Subscriber and the Issuer will issue a circular containing, among other things, further details about the Subscription and the possible conversion (as the case may be) and the notice convening the Issuer SGM and the Subscriber SGM, which will be despatched to the Issuer Shareholders and the Subscriber Shareholders respectively as soon as practicable and in any event not later than 31 July 2012.

Shareholders and potential investors should note that Completion is subject to a number of conditions and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Issuer and the Subscriber.

THE SUBSCRIPTION AGREEMENT

On 26 June 2012 (after trading hours), the Subscriber and the Issuer entered into the Subscription Agreement for the Subscription. Principal terms of the Subscription Agreement are as follows:

Date: 26 June 2012

Parties: (i) the Subscriber

To the best knowledge, information and belief of the Subscriber Directors, having made all reasonable enquiries, as at the date of this joint announcement, the Issuer and its ultimate beneficial owner(s) are third parties independent of and not connected with the Subscriber and are not connected persons of the Subscriber.

(ii) the Issuer

To the best knowledge, information and belief of the Issuer Directors, having made all reasonable enquiries, as at the date of this joint announcement, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and not connected with the Issuer and are not connected persons of the Issuer.

Conditions of
the Subscription:

Completion of the Subscription is conditional upon:

- (i) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares which fall to be issued upon the exercise of conversion rights attaching to the Convertible Notes;
- (ii) the Issuer having committed no default or breach of any of the warranties given by the Issuer in the Subscription Agreement, or its obligations under the Subscription Agreement;

- (iii) there shall not have been any circumstance or occurrence that has had, or would reasonably have a material adverse change with respect of the Issuer Group;
- (iv) there has not occurred or arisen any change of business nature of any member of the Issuer Group since the date of the Subscription Agreement;
- (v) the current listing of the Issuer Shares not having been withdrawn, the Issuer Shares continuing to be traded on the Stock Exchange prior to the Completion (save for any temporary suspension for no longer than 7 trading days or such other period as the Subscriber may agree in writing, or any temporary suspension in connection with transactions contemplated under the Subscription Agreement);
- (vi) no statute, regulation or decision which would prohibit or restrict or materially affect the operation of the Issuer Group having been proposed, enacted or taken by any governmental or official authority;
- (vii) the Subscriber being satisfied with the results of the due diligence review on the Issuer Group, in particular, the annual results for the financial year ended 31 March 2012;
- (viii) the passing by the Issuer Shareholders at the Issuer SGM of all necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules;
- (ix) all necessary consents, licenses and approvals from the Issuer Shareholders, bankers, financial institutions and regulators required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect by the Issuer;

- (x) the passing by the Subscriber Shareholders at the Subscriber SGM of all necessary resolutions to approve the Subscription Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (xi) all necessary consents, licenses and approvals from the Subscriber Shareholders, bankers, financial institutions and regulators required to be obtained in respect of the Subscription Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect by the Subscriber.

Save for conditions (i), (viii), (ix), (x) and (xi), the Subscriber may waive any of the above conditions at any time by notice in writing to the Issuer.

Save for conditions (i), (viii), (ix), (x) and (xi), the Issuer may waive any of the above conditions at any time by notice in writing to the Subscriber.

If the conditions above are not fulfilled (or waived as the case may be) at or before 5:00 p.m. on the date no later than 90 days after the date of the Issuer SGM, or such later date as may be agreed between the Subscriber and the Issuer in writing, the Subscription Agreement will lapse and become null and void and the parties shall be released from all obligations thereunder, save and except for the liabilities for any antecedent breaches thereof.

Completion of
the Subscription:

Subject to the conditions of the Subscription having been fulfilled, Completion of the Subscription will take place at such time and on such Business Day as the Subscriber shall specify by giving not less than three (3) Business Days' notice in writing to the Issuer, or on such other date as the Subscriber and the Issuer may agree in writing.

Principal Terms of the Convertible Notes

The following is a summary of the principal terms of the Convertible Notes:

Aggregate principal amount: HK\$95 million

Subscription Price: 100% of the principal amount of the Convertible Notes

Initial Conversion Price: The Conversion Price shall be the average closing price of the Issuer Shares for the five (5) consecutive trading days prior to the Completion Date, provided that the Conversion Price shall not in any event be more than HK\$0.11 or less than HK\$0.01 per Conversion Share.

The minimum Conversion Price of HK\$0.01 represents:

- i. a discount of approximately 67.74% to the closing price of HK\$0.031 per Issuer Share as quoted on the Last Trading Day; and
- ii. a discount of approximately 67.11% to the closing price of HK\$0.0304 per Issuer Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The maximum Conversion Price of HK\$0.11 represents:

- i. a premium of approximately 254.84% over the closing price of HK\$0.031 per Issuer Share as quoted on the Last Trading Day; and
- ii. a premium of approximately 261.84% over the closing price of HK\$0.0304 per Issuer Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day.

The Conversion Price was agreed after arm's length negotiations between the Subscriber and the Issuer, with reference to, among other things, the recent trading price of the Issuer Shares on the Stock Exchange and the market sentiment of the global stock markets. The maximum Conversion Price of HK\$0.11 was determined with reference to the conversion price of the placement of the convertible notes by the Issuer on 7 October 2011, while the minimum Conversion Price of HK\$0.01 was determined based on the par value and trading liquidities of the Issuer Shares.

The Conversion Price will be subject to adjustment for, among other things, the following dilutive events:

- consolidation, subdivision or reclassification
- capitalization of profits or reserves
- capital distributions
- rights issues/open offer of Issuer Shares or options over Issuer Shares
- rights issues/open offer of other securities
- issues at less than 90% of the then prevailing market price
- modification of rights of conversion
- other offers to Issuer Shareholders
- other events

Such adjustments shall be certified either (at the option of the Issuer) by the auditors of the Issuer for the time being or by an approved merchant bank in accordance with the terms and conditions of the Convertible Notes.

Maturity: 18 months from the date of issue of the Convertible Notes. To the extent not previously converted, purchased, redeemed or cancelled, the Issuer shall, on the maturity date of the Convertible Notes, redeem the Convertible Notes at 100% of the outstanding principal amount.

Conversion Period: Provided that the exercise of the conversion rights attaching to the Convertible Notes (i) by the holder thereof and its respective parties acting in concert does not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder thereof and its parties acting in concert; and (ii) by the holder thereof and its associates will not render Issuer Shares held in public hands being less than the minimum public float of the Issuer Shares required under the Listing Rules (i.e. 25% of the issued share capital of the Issuer), holder of the Convertible Notes shall have the right to convert, at any time during the period commencing from the date of issue the Convertible Notes until the fifth Business Day before the maturity date of the Convertible Notes, the whole or part in an integral multiple of HK\$1,000,000 of the outstanding principal amount of the Convertible Notes.

Interest: 8% per annum, which is payable semi-annually

Ranking of Conversion Shares: The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all other Issuer Shares in issue as at the date of conversion on which a notice is given for the exercise of conversion rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the notice of the exercise of conversion rights is given.

Voting: The holder(s) of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Issuer by reason only it/they being the holder(s) of the Convertible Notes.

Transferability: The Convertible Notes may be freely transferred or assigned to any third party. Any transfer of the Convertible Notes shall be in respect of the whole or part only in an integral multiple of HK\$1,000,000 of the outstanding principal amount of the Convertible Notes.

No transfer shall be made to any connected persons of the Issuer or parties acting in concert with the holder(s) of the Convertible Notes unless compliance of the Listing Rules and the Takeovers Code has been made.

Early redemption: The Convertible Notes may be redeemed at 100% of the outstanding principal amount of the Convertible Notes (in whole or in part) at any time and from time to time at the option of the Issuer prior to the maturity date of the Convertible Notes.

Listing: No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conversion Shares:

The Conversion Shares will rank *pari passu* in all respects with the Issuer Shares in issue on the date of allotment and issue of such Issuer Shares. Assuming the issue of the Convertible Notes is completed and (i) based on the maximum Conversion Price of HK\$0.11 per Conversion Share, a minimum number of 863,636,363 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 60.28% of the issued share capital of the Issuer as at the date of this joint announcement and approximately 37.61% of the Issuer's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full; and (ii) based on the minimum Conversion Price of HK\$0.01 per Conversion Share, a maximum number of 9,500,000,000 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 663.07% of the issued share capital of the Issuer as at the date of this joint announcement and approximately 86.89% of the Issuer's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full.

The Conversion Shares will be allotted and issued under the specific mandate of the Issuer. The Issuer Directors proposed to seek approval from the Issuer Shareholders at the Issuer SGM to issue the Conversion Shares.

Shareholding structure of the Issuer in respect of the Subscription

For illustrative purpose only, set out below is a summary of the shareholdings in the Issuer (i) as at the date of this joint announcement; (ii) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the maximum Conversion Price of HK\$0.11; (iii) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the maximum Conversion Price of HK\$0.11, assuming all the outstanding Acquisition CN are converted in full at the minimum conversion price of HK0.227 and all the outstanding Placing CN are converted in full at the conversion price of HK\$0.11; (iv) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the minimum Conversion Price of HK\$0.01; (v) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the minimum Conversion Price of HK\$0.01, assuming all the outstanding Acquisition CN are converted in full at the minimum conversion price of HK0.227 and all the outstanding Placing CN are converted in full at the conversion price of HK\$0.11; (vi) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes, while the holder(s) of the Convertible Notes do not hold more than 29.9% of the issued share capital of the Issuer; (vii) after allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes, while the holder(s) of the Convertible Notes do not hold more than 29.9% of the issued share capital of the Issuer, assuming all the outstanding Acquisition CN are converted in full at the minimum conversion price of HK0.227 and all the outstanding Placing CN are converted in full at the conversion price of HK\$0.11. The aforementioned scenarios (ii) to (vii) are set forth below for illustrative purpose only and will never occur.

Shareholders	At the date of this joint announcement		After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the maximum Conversion Price of HK\$0.11, assuming all the outstanding Acquisition CN are converted in full at the minimum conversion price of HK\$0.227 and all the outstanding Placing CN are converted in full at the conversion price of HK\$0.11				After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes at the minimum Conversion Price of HK\$0.01, assuming all the outstanding Acquisition CN are converted in full at the minimum conversion price of HK\$0.227 and all the outstanding Placing CN are converted in full at the conversion price of HK\$0.11				After allotment and issue of the number of Conversion Shares upon full conversion of the Convertible Notes, while the holder(s) do not hold more than 29.9% of the issued share capital of the Issuer			
	Number of shares		Conversion Price of HK\$0.11		Number of shares		Conversion Price of HK\$0.11		Number of shares		Number of shares		Number of shares	
	Number of shares		Number of shares		Number of shares		Number of shares		Number of shares		Number of shares		Number of shares	
Lucky Start Holdings Limited (Note 1)	220,264,317	15.37%	220,264,317	9.59%	220,264,317	6.98%	220,264,317	2.01%	220,264,317	1.87%	220,264,317	10.78%	220,264,317	6.74%
Cheung Chi Yin, Daniel together with Cheung Chu Yin, Agnes (Note 2)	205,033,171	14.31%	205,033,171	8.93%	205,033,171	6.50%	205,033,171	1.88%	205,033,171	1.74%	205,033,171	10.03%	205,033,171	6.27%
Subscriber	-	0.00%	863,636,363	37.61%	863,636,363	27.37%	9,500,000,000	86.89%	9,500,000,000	80.56%	611,109,709	29.90%	977,718,091	29.90%
Acquisition CN Holder and Placing CN Holder (Note 3)	-	0.00%	-	0.00%	859,506,607	27.24%	-	0.00%	859,506,607	7.29%	-	0.00%	859,506,607	26.28%
Public Shareholders	1,007,437,985	70.32%	1,007,437,985	43.87%	1,007,437,985	31.92%	1,007,437,985	9.21%	1,007,437,985	8.54%	1,007,437,985	49.29%	1,007,437,985	30.81%
Total	1,432,735,473	100.00%	2,296,371,836	100.00%	3,155,878,443	100.00%	10,932,735,473	100.00%	11,792,242,080	100.00%	2,043,845,182	100.00%	3,269,960,171	100.00%

Note:

- Lucky Start Holdings Limited is beneficially wholly owned by Zhao Zhenzhen.
- Cheung Chu Yin, Agnes is Cheung Chi Yin's child under 18. To the best knowledge, information and belief of the Issuer Directors, having made all reasonable enquiries, other than being substantial Issuer Shareholders, Cheung Chi Yin Daniel and Cheung Chu Yin Agnes have no relationship with the Issuer and its connected persons.
- As at the date of this joint announcement, there are i) outstanding Acquisition CN of HK\$58,000,000, which can be converted into 255,506,607 conversion shares at the minimum conversion price of HK\$0.227; and ii) outstanding Placing CN of HK\$66,440,000, which can be converted into 604,000,000 conversion shares at the conversion price of HK\$0.11.

REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS

The Issuer

The Issuer Group is principally engaged in the trading and manufacturing of printed circuit board and investment in electric vehicle battery business and the waste paper recycling business.

As disclosed in the Acquisition Circular, the Issuer Directors were of the opinion that, taking into account its internal resources and the present available credit facilities of the enlarged Issuer Group upon the completion of the Acquisition, the enlarged Issuer Group will not have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of the Acquisition Circular. In view of the foregoing, the Issuer would consider using appropriate equity financing methods to satisfy the consideration of the Acquisition in the future (i.e. repayment of the outstanding promissory notes and convertible notes issued upon completion of the Acquisition) and develop the enlarged Issuer Group as well as to improve the financial position of the enlarged Issuer Group in the event that any suitable fund raising opportunities arise.

The Acquisition was completed on 4 November 2011. As disclosed in the Placing CN Circular, the Company proposed to place a series of convertible notes up to an aggregate principal amount of HK\$110,000,000. At the date of this joint announcement, HK\$77 million has been raised through the said placement.

In view of the adverse market conditions, the Issuer Directors consider the Subscription, with a maturity date being substantially further than the due date of the promissory notes issued pursuant to the Acquisition (i.e. 7 November 2012) would ease the working capital requirement of the Group. As at the date of this joint announcement, the said promissory notes have a principal amount of HK\$221 million remain outstanding.

The Issuer has entered into a placing agreement with FT Securities Limited on 1 June 2012 in respect of a placing of unconvertible bonds with principal amounts of up to HK\$200 million on a best effort basis. However, as at the date of this joint announcement, the placing agent have not yet identified any suitable placee, the Issuer Directors thus decide to proceed with the Subscription.

The gross proceeds raised from the Subscription will be approximately HK\$95 million. The net proceeds from the Subscription will be approximately HK\$94 million. The Issuer intends to use the proceeds from the Subscription as to (i) not more than 10% of the proceeds for general working capital of the Issuer Group, including but not limited to working capital for the Issuer Group; and (ii) not less than 90% of the proceeds for the repayment of the outstanding promissory notes in principal amounts of HK\$221 million due in November 2012. If the holder(s) of such promissory notes agree to extend the maturity date of the promissory notes, the proceeds will be used to look for financing other investment opportunities to be identified by the Issuer Group.

The Issuer Directors consider that the Subscription Agreement has been entered into upon normal commercial terms following arm's length negotiations between the Issuer and the Subscriber and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Issuer and the Issuer Shareholders as a whole.

Financial information of the Issuer

Set out below is the financial information of the Issuer for the each of two financial years ended 31 March 2011 as extracted from the annual reports of the Issuer:

	For the year ended 31 March 2011 HK\$'000 (audited)	For the year ended 31 March 2010 HK\$'000 (audited)
Profit/(loss) before taxation from the continuing operation	25,837	(12,113)
Profit/(loss) after taxation from the continuing operation	21,825	(12,187)

According to the interim report of the Issuer for the six months ended 30 September 2011, the unaudited net assets of the Issuer Group amounted to approximately HK\$437.94 million as at 30 September 2011.

The Subscriber

The Subscriber Group is principally engaged in the money lending and provision of credit business, provision of corporate secretarial and consultancy services, and securities investments.

The Subscriber Directors consider that the Subscription would enable the Subscriber to participate in the development of the Issuer Group and provide the Subscriber with an opportunity to share the returns generated from the business of the Issuer Group, which will allow the Subscriber Group to tap into the recycling industry, and to enjoy the potential upside of the share price performance of the Issuer Shares through the possible conversion of part or whole of the Convertible Notes (subject to the conversion restriction) into the Conversion Shares as and when the Subscriber considers appropriate. The Subscriber Directors also consider the Subscription as a good opportunity to further develop its finance business with an option for the Subscriber to invest in a certain stake of a listed company in Hong Kong.

In the event that the Convertible Notes are converted in full into the Conversion Shares after completion of the Subscription, the Subscriber will become the largest shareholder of the Issuer and could influence the major decisions of the Issuer at the shareholders meeting of the Issuer. Nevertheless, as at the date of this joint announcement, the Subscriber has no present intention to convert any of the Convertible Notes into the Conversion Shares after the Completion and the Subscriber will remain as a holder of the Convertible Notes, and the Subscriber's interest thereunder is protected by the relevant anti-dilution clauses of the Convertible Notes. In the future, the Subscriber may consider to nominate directors to the Issuer such that the Subscriber can participate the management and daily operations of the Issuer. If the Convertible Notes are not converted, the Subscriber will receive attractive interest income from the Convertible Notes semi-annually.

The Subscription will be financed by the internal resources of the Subscriber (which include the money returned by its borrowers and/or possible future fund raising exercises).

The Subscriber Directors consider that the terms of the Subscription Agreements are on normal commercial terms and are fair and reasonable and that the possible conversion of the Convertible Notes are in the interests of the Subscriber and the Subscriber Shareholders as a whole.

FUND RAISING EXERCISE OF THE ISSUER

Save and except for the fund raising activities mentioned below, the Issuer has not carried out other fund raising activities during the 12 months immediately preceding the date of this joint announcement.

Date of announcement	Fund raising activity	Net proceeds actually raised	Intended use of proceeds	Actual use of proceeds raised
5 November 2011	Placing of convertible notes with an aggregate principal amount of up to HK\$110 million	HK\$77 million has been raised	Not more than 40% for the general working capital of the Issuer Group and not less than 60% for the repayment of the promissory notes issued by the Issuer after completion of the Acquisition	(i) HK\$39 million has been utilized for the repayment of promissory notes; and (ii) HK\$38 million has been utilized for the repayment of trading finance and general working capital of the Issuer Group

IMPLICATION UNDER THE LISTING RULES

The Issuer Directors proposed to seek the approval from the Issuer Shareholders at the Issuer SGM to issue the Convertible Notes and the Conversion Shares. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Notes.

As one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) for the Subscriber in relation to the Subscription and the possible conversion of the Convertible Notes exceed 25% but less than 100%, each of the Subscription and the possible conversion of the Convertible Notes constitutes a major transaction of the Subscriber under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

The Subscription and the possible conversion (as the case may be) are conditional upon, among other things, the passing of the necessary resolution(s) by the Issuer Shareholders at the Issuer SGM and the passing of the necessary resolution(s) by the Subscriber Shareholders at the Subscriber SGM.

To the best information, knowledge and belief of the Issuer Directors and the Subscriber Directors, having made all reasonable enquiries, as at the date of this joint announcement, no Issuer Shareholder and Subscriber Shareholder has an interest in the Subscription Agreement and the possible conversion (as the case may be) that is materially different from the other Issuer Shareholders and Subscriber Shareholders. Therefore, no Issuer Shareholder and Subscriber Shareholder is required to abstain from voting on the respective resolution(s) to be proposed at the Issuer SGM and the Subscriber SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Each of the Subscriber and the Issuer will issue a circular containing, among other things, further details about the Subscription and the possible conversion (as the case may be) and the notice convening the Issuer SGM and the Subscriber SGM, will be despatched to the Issuer Shareholders and the Subscriber Shareholders respectively as soon as practicable and in any event not later than 31 July 2012.

Shareholders and potential investors should note that Completion is subject to a number of conditions and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Issuer and the Subscriber.

DEFINITION

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

“Acquisition”	the acquisition of 80% equity interests in Ideal Market Holdings Limited which is engaged in the waste paper recycling business, details of which has been disclosed in the Acquisition Circular
“Acquisition Circular”	the circular issued by the Issuer on 23 September 2011 in respect of the Acquisition

“Acquisition CN”	the redeemable convertible notes in the principal amount of HK\$290 million to be issued by the Issuer to the vendors (or their nominee(s)) in accordance with the terms and conditions of the sale and purchase agreement dated 9 May 2011 and the supplemental agreement dated 14 September 2011, detail of which is disclosed in the Acquisition Circular
“Acquisition CN Holder”	the holder of Acquisition CN
“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associate”	has the meaning ascribed to it in the Listing Rules unless otherwise specified
“Business Day”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Completion”	completion of the Subscription pursuant to the Subscription Agreement
“Completion Date”	the third Business Day from the date when the Subscriber gives a notice in writing to the Issuer, or on such other date as the Subscriber and the Issuer may agree in writing
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Conversion Price”	the conversion price shall be the average closing price of the Issuer Shares for the five (5) consecutive trading days prior to the Completion Date, provided that the conversion price shall not in any event be more than HK\$0.11 or less than HK\$0.01 per Conversion Share
“Conversion Share(s)”	any Issuer Share(s) to be issued by the Issuer upon the holder(s) of the Convertible Notes exercising its/their conversion right(s) under and in accordance with the terms and conditions of the Convertible Notes

“Convertible Notes”	the 18 months to maturity, 8% coupon convertible notes with principal amounts and initial conversion prices per share described in the section headed “Principal terms of the Convertible Notes” to be issued by the Issuer on the Completion Date to the Subscriber pursuant to the terms and conditions as set out in the Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issuer”	China Environmental Energy Investment Limited (中國環保能源投資有限公司*), a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
“Issuer Board”	the board of the Issuer Director
“Issuer Director(s)”	the director(s) of the Issuer from time to time
“Issuer Group”	the Issuer and its subsidiaries
“Issuer SGM”	the special general meeting of the Issuer to be convened for the Issuer Shareholders to consider, and if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder
“Issuer Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Issuer
“Issuer Shareholder(s)”	holder(s) of the Issuer Share(s)

“Last Trading Day”	26 June 2012, being the last trading day of the Issuer Shares on the Stock Exchange prior to the release of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Placing CN”	the redeemable convertible notes in the principal amount of HK\$110 million to be issued by the Issuer in accordance with the terms of the placing agreement dated 7 October 2011, details of which is disclosed in the Placing CN Circular
“Placing CN Circular”	the circular issued by the Issuer on 5 November 2011 in respect of the placing of convertible notes with an aggregate principal amount of up to HK\$110 million
“Placing CN Holder”	the holder of Placing CN
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Pacific Plywood Holdings Limited (太平洋實業控股有限公司*), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Subscriber Board”	the board of the Subscriber Director
“Subscriber Director(s)”	the director(s) of the Subscriber from time to time
“Subscriber Group”	the Subscriber and its subsidiaries

“Subscriber SGM”	the special general meeting of the Subscriber to be convened for the Subscriber Shareholders to consider, and if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder (including the possible conversion)
“Subscriber Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Subscriber
“Subscriber Shareholder(s)”	holder(s) of the Subscriber Share(s)
“Subscription”	the subscription by the Subscriber of the Convertible Notes pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 June 2012 entered into between the Issuer and the Subscriber in relation to the subscription of the Convertible Notes by the Subscriber
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent

By order of the Subscriber Board
Pacific Plywood Holdings Limited

Huang Chuan Fu
Executive Director and Deputy Chairman

By order of the Issuer Board
**China Environmental Energy
Investment Limited**

Deng Hong Mei
Executive Director

Hong Kong, 26 June 2012

As at the date of this joint announcement, the executive directors of the Issuer are Ms. Chen Tong (Chairman), Ms. Deng Hong Mei, Ms. Chan Ching Ho, Kitty and Mr. Xiang Liang, the non-executive directors of the Issuer are Ms. Yao Zhengwei and Mr. Wang Zhenghua and the independent non-executive directors of the Issuer are Mr. Chan Ying Kay, Mr. Tse Kwong Chan and Ms. Zhou Jue.

As at the date of this joint announcement, the executive directors of the Subscriber are Mr. Ng Kwok Fai (Chairman), Mr. Huang Chuan Fu (Deputy Chairman), Mr. Liang Jian Hua, Ms. Jia Hui and Mr. Jiang Yi Ren, the non-executive director of the Subscriber is Mr. Chan Kin Sang and the independent non-executive directors of the Subscriber are Mr. Cheng Po Yuen, Mr. Wong Chun Hung and Mr. Li Sui Yang.

The English text of this joint announcement prevails over the Chinese text in case of any discrepancy.

*** For identification purposes only*