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NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

新環保能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3989)

(I) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF FULL CHARM HOLDINGS LIMITED

AND

(II) RESUMPTION OF TRADING

Financial Adviser

VEDA | CAPITAL
智 略 資 本

THE DISPOSAL

Reference is made to the announcement of the Company dated 24 December 2009 relating to, among others things, the MOU.

On 8 June 2010, the Company, the Vendor (a wholly owned subsidiary of the Company), the Purchaser and the Creditor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the consideration of HK\$450 million. Details of the payment terms are set out in the section headed “Consideration” below.

Upon completion of the Reorganization, the Target Company will be the holding company of Newco and the Target Subsidiaries. Members of the Target Group (except for Newco which will be set up by the Target Company under the Reorganization) are principally engaged in investment holdings and trading, manufacturing and sales of apparel and accessories as at the date of this announcement. The Sale Shares represents the entire issued share capital of the Target Company as at Completion. Upon Completion, the apparel business in the Remaining Group will be carried on in a trading mode as set out under section headed “OPERATION OF THE REMAINING GROUP” below.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As Mr. Ngok, being the ultimate beneficial owner of the Purchaser and the Creditor, is a Director and hence a connected person of the Company, the Disposal also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, the Disposal is subject to the approval by the Independent Shareholders at the EGM by way of poll. The EGM will be convened by the Company at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought appropriate, to approve the Agreement and the transactions contemplated thereunder. Mr. Ngok, the Purchaser and the Creditor and their respective associates in aggregate interested in 76,594,205 Shares, representing approximately 9.02% of the entire issued share capital of the Company as at the date of this announcement, will abstain from voting on the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee has been established to advise and give recommendation to the Independent Shareholders as to voting for or against the resolution(s) to be proposed at the EGM in relation to the Agreement and the transactions contemplated thereunder. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, further details of the Disposal, the financial information of the Target Group, the recommendation from the Independent Board Committee, the letter of advice from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders relating to the Agreement and the transactions contemplated thereunder and the notice of EGM will be despatched to the Shareholders. Based on the information currently available and taking into account the estimated time required to prepare the information to be included in the circular pursuant to the Listing Rules, including the financial information of the Target Group, the Company expects that the circular will be despatched on or before 10 September 2010.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 8 June 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 July 2010.

Reference is made to the announcement of the Company dated 24 December 2009 relating to, among others things, the MOU.

THE AGREEMENT

Date: 8 June 2010

Parties:

Purchaser: Bloom Origin Limited, a company incorporated in the British Virgin Islands

Vendor: Full Prosper Holdings Limited, a company incorporated in the British Virgin Islands which is a wholly owned subsidiary of the Company

Company: New Environmental Energy Holdings Limited, holding company of the Vendor

Creditor: Bright King Investments Limited, a company incorporated in the British Virgin Islands

The Purchaser and the Creditor are investment holding companies and both are ultimately and beneficially owned by Mr. Ngok who is a Director and hence a connected person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Ngok, the Purchaser and the Creditor and their respective associates in aggregate beneficially own 76,594,205 Shares, representing approximately 9.02% of the entire issued share capital of the Company as at the date of this announcement.

Assets to be disposed

Pursuant to the Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company as at Completion. The Target Company will be the holding company of Newco and the Target Subsidiaries upon completion of the Reorganization. Members of the Target Group (except for Newco which will be set up by the Target Company under the Reorganization) are principally engaged in investment holdings and trading, manufacturing and sales of apparel and accessories as at the date of this announcement. Upon

Completion, the apparel business in the Remaining Group will be carried on in a trading mode as set out under section headed “OPERATION OF THE REMAINING GROUP” below and the Target Company and the Target Subsidiaries will cease to be subsidiaries of the Company.

Consideration

The Consideration for the Sale Shares of HK\$450 million (out of which HK\$134 million will be applied to satisfy the debt owed by the Target Group to the Remaining Group as at Completion) shall be settled in the following manner:

- (i) as to HK\$200 million by the Purchaser procuring the Creditor to waive all its rights in the Promissory Note by surrendering the Promissory Note to the Vendor for cancellation at Completion; and
- (ii) as to HK\$250 million by the Purchaser applying the Earnest Money for settlement.

The Consideration was agreed between the Company and the Purchaser after arm’s length negotiations with reference to, among others, the aggregate net asset values of the Target Subsidiaries of approximately HK\$315 million as at 31 December 2009 and the aggregate net debts due from the Target Subsidiaries to the Remaining Group of approximately HK\$134 million as at 31 December 2009.

Conditions precedent

Completion is subject to and conditional upon to the fulfillment of the following:

- (i) the Reorganization of the Target Group having been completed;
- (ii) the Independent Shareholders having approved the Agreement and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules;
- (iii) all the net debts due from the Target Group to the Remaining Group, other than the debts in the sum of HK\$134 million due from the Target Group to the Remaining Group which will be settled by the application of the same amount from the Consideration at Completion, having been settled in full;
- (iv) all the net debts, if any, due from the Remaining Group to the Target Group having been settled or waived in full by the Target Group at the discretion and direction of the Company; and
- (v) all necessary consents, waivers, approvals from the governmental or regulatory authorities in Hong Kong, PRC or other applicable jurisdictions required for the Reorganization, the sale and purchase of the Sale Shares and all other transactions contemplated thereunder having been obtained.

None of the above conditions may be waived except condition (iii) may be waived by the Company solely. If any of the conditions above have not been satisfied or waived by the Company by the Long Stop Date, the Agreement shall lapse, and the Agreement shall be null and void and of no further effect

pursuant to the terms of the Agreement and neither party to the Agreement shall have any obligations and liabilities thereunder provided that any right or remedies of a party which have accrued shall not be prejudiced or affected. The Company shall procure to refund the Earnest Money without interest to the Purchaser within eighteen (18) months from the Long Stop Date.

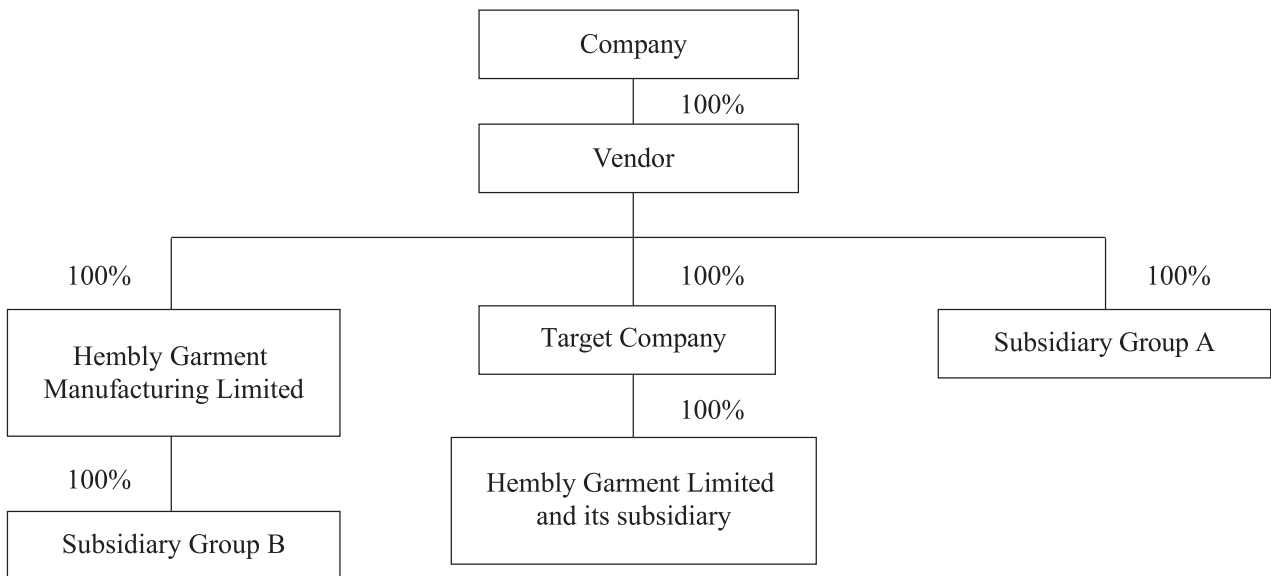
Completion

Completion shall take place on the Completion Date.

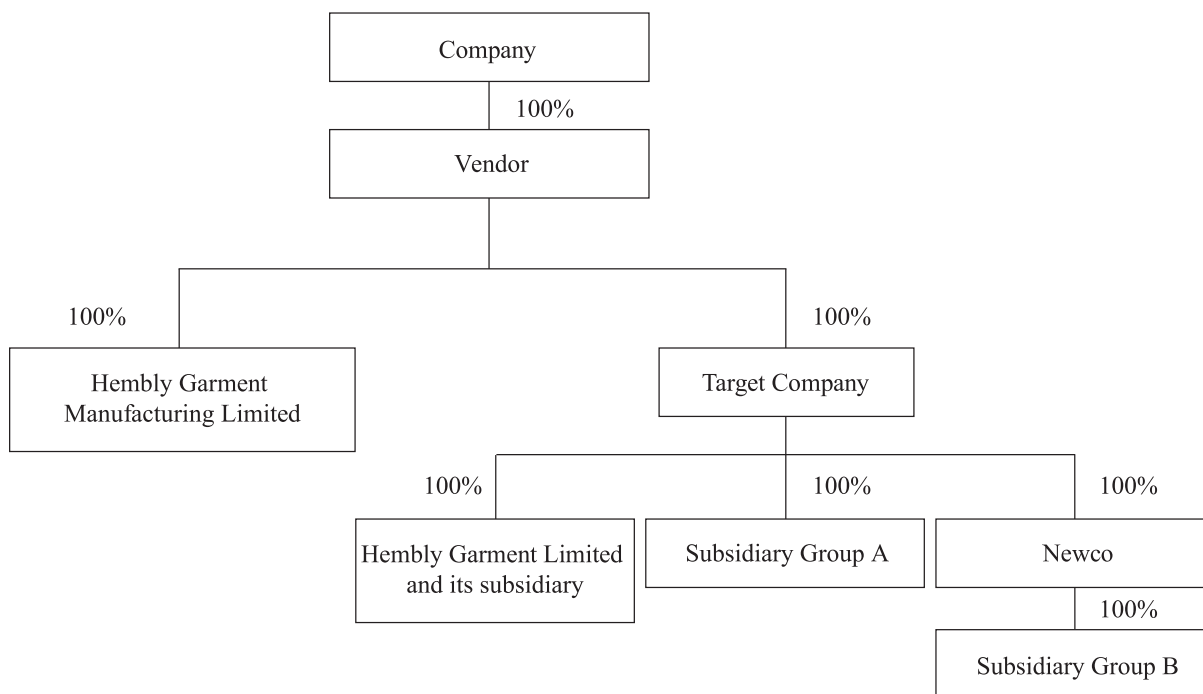
REORGANISATION

Set out below are the structures of the Target Company and the Target Subsidiaries (i) as at the date of this announcement; (ii) immediately after the Reorganization; and (iii) upon Completion, respectively:

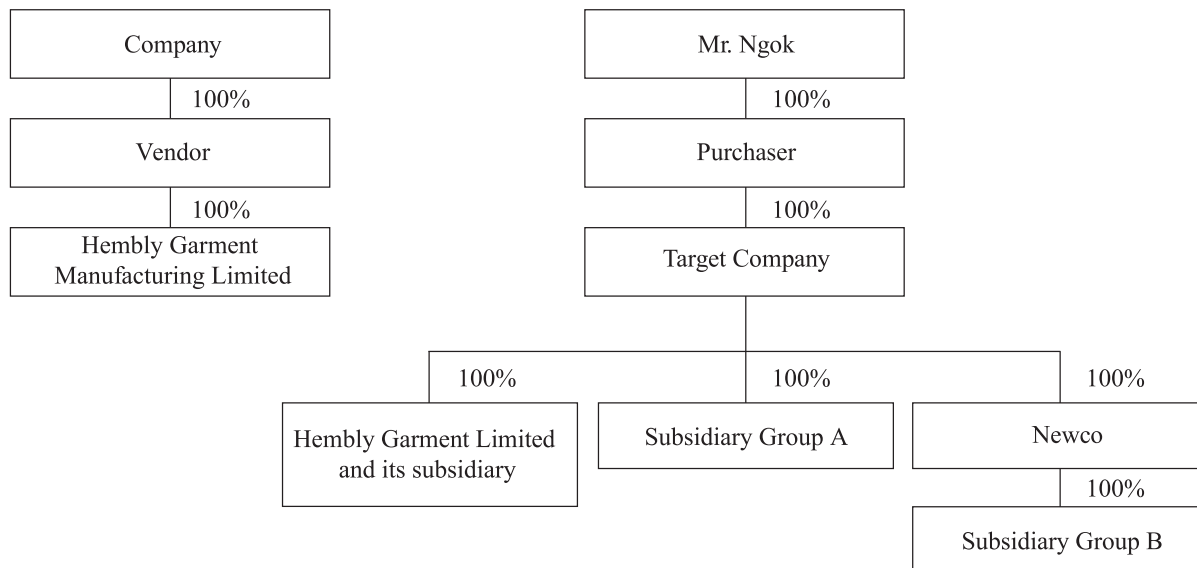
As at the date of this announcement:



Immediately after the Reorganization:



Upon Completion:



INFORMATION ON THE TARGET GROUP

The Target Company is a wholly-owned subsidiary of the Vendor which in turn is wholly owned by the Company and is incorporated in the British Virgin Islands with limited liability on 12 April 2010. The Target Company is an investment holding company and upon completion of the Reorganization, the Target Company will be the holding company of Newco and the Target Subsidiaries. Members of the

Target Group (except for Newco which will be set up by the Target Company under the Reorganization) are principally engaged in investment holdings and trading, manufacturing and sales of apparel and accessories as at the date of this announcement.

Set out below is the information of the Target Subsidiaries as at the date of this announcement:

Spring Castle Group Limited and Limei International Limited

Spring Castle Group Limited is a wholly-owned subsidiary of the Vendor and is incorporated in the British Virgin Islands on 8 February 2005. Spring Castle Group Limited is an investment holding company and its wholly-owned subsidiary, namely Limei International Limited, is dormant.

Primeline Investment Limited, M.T.T Limited (恒賽爾有限公司) and 恒賽爾(揚州)服裝有限公司 (M.T.T. (Yangzhou) Garment Co., Limited)**

Primeline Investment Limited is a wholly-owned subsidiary of the Vendor and is incorporated in the British Virgin Islands on 1 July 2004. Primeline Investment Limited is an investment holding company and its wholly-owned subsidiaries, namely M.T.T. Limited (恒賽爾有限公司) and 恒賽爾(揚州)服裝有限公司 (M.T.T. (Yangzhou) Garment Co., Limited**), are principally engaged in manufacturing, processing and sale of apparels.

Investland Investments Limited and Hembly Garment Manufacturing Macao Commercial Offshore Limited (恒寶利製衣澳門離岸商業服務有限公司)

Investland Investments Limited is a wholly-owned subsidiary of the Vendor and is incorporated in the British Virgin Islands on 16 April 2004. Investland Investments Limited is an investment holding company and its wholly-owned subsidiary, namely Hembly Garment Manufacturing Macao Commercial Offshore Limited (恒寶利製衣澳門離岸商業服務有限公司), is principally engaged in sale of garment.

Hembly Garment Limited (恒寶利服裝有限公司) and 欣隆(南京)服裝有限公司 (Scienward (Nanjing) Garment Co. Ltd.)

Hembly Garment Limited (恒寶利服裝有限公司) is a wholly-owned subsidiary of the Target Company and is incorporated in Hong Kong on 11 September 2000. Hembly Garment Limited (恒寶利服裝有限公司) is an investment holding company and its wholly-owned subsidiary, namely 欣隆(南京)服裝有限公司 (Scienward (Nanjing) Garment Co. Ltd.), is principally engaged in garment manufacturing and sourcing of garment products.

恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited)**

恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly-owned subsidiary of the Vendor, and is incorporated in the PRC on 24 January 2003. 恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited**) is principally engaged in garment manufacturing and trading.

恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited), 南京德懋商貿有限公司 (Nanjing Hembly Commercial Co., Limited**) and 深圳恒寶利服飾有限公司 (Shenzhen Hembly Garment Co., Limited**)**

恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly-owned subsidiary of the Vendor, and is incorporated in the PRC on 7 April 2000. 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**) and its wholly-owned subsidiary, namely 南京德懋商貿有限公司 (Nanjing Hembly Commercial Co., Limited**), are principally engaged in garment manufacturing whilst its another wholly-owned subsidiary, namely 深圳恒寶利服飾有限公司 (Shenzhen Hembly Garment Co., Limited**) is dormant.

亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited)**

亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 1 July 2004. 亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited**) is principally engaged in property holding and sale of garments.

ST Sourcing Limited

ST Sourcing Limited is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in Hong Kong on 7 May 2007. ST Sourcing Limited is principally engaged in sourcing of raw materials for apparel.

揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited)

揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 12 October 2009. 揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited) is principally engaged in manufacturing, sale and warehouse services of garment.

揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited)**

揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 4 August 2005. 揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited**) is principally engaged in manufacturing, processing and sale of garment products.

恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited**)

恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 12 December 2006. 恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited**) is principally engaged in manufacturing, dyeing, processing and sale of garment products.

Set out below is the unaudited combined financial information of the Target Subsidiaries for the two financial years ended 31 December 2009 prepared in accordance with Hong Kong Financial Reporting Standards.

	For the financial year ended 31 December 2008 <i>HK\$ million</i>	For the financial year ended 31 December 2009 <i>HK\$ million</i>
Profit/(Loss) before taxation	<u>28.77</u>	<u>(286.75)</u>
Profit/(Loss) after taxation	<u>14.48</u>	<u>(286.19)</u>
		As at 31 December 2009 <i>HK\$ million</i>
Net assets		<u>315.00</u>

BACKGROUND, REASONS AND BENEFITS OF THE DISPOSAL

Background and reasons

The principal activities of the Company and its subsidiaries are the manufacture and sales of apparel and accessories, and technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment, especially waste-to-energy projects.

In December 2009, Euro currency has been depreciating drastically followed by the announcement of rising government deficits and debt levels in European countries PIIGS (i.e. Portugal, Italy, Ireland, Greece and Spain). The depreciation of Euro is expected to further reduce purchasing power and worsen the general economy of the Eurozone countries. Given that Europe is a major geographical segment of the Group which attributed more than 50% of the total revenue from continuing operation of the Group for the year ended 31 December 2009, it is inevitably that the Group's performance has been adversely affected by the economic downturn in Europe.

In addition, due to the general tightening credit policy of banks following the financial crisis, the Group faced the problem of having trade facilities available from certain bankers reduced or even withdrawn after repayment. Bank facilities which are provided based on the letters of credit from customers can no longer cover the required funds for the Company to purchase manufacturing materials and fabrics.

In order to reduce the reliance of the Group's apparel business on bank borrowings, the Group began to look for alternative funding and explored the possibility of investment in the Vendor by Mr. Ngok, the founder of the Group. With this background, the Company entered into the MOU with Mr. Ngok on 24 December 2009. Under the MOU, the parties agreed to negotiate for a possible investment in the Vendor, a wholly-owned subsidiary of the Company and the intermediate holding company of the Company's subsidiaries engaging in the apparel business. Pursuant to the MOU, the Purchaser, which is wholly-owned by Mr. Ngok, paid HK\$250 million to the Company as upfront earnest monies.

From December 2009 to the first quarter of 2010, three bankers of the Company cancelled their trade facilities (which amounted to a total of approximately HK\$230 million) supporting the Group's garment business of the Group. Thereafter, only approximately HK\$50 million of trade facilities remained available to the Group. This drove the Company to come up with the current proposal of restructuring the business model of its apparel business from a manufacturing-and-trading mode to a trading mode, so that the garment business could enjoy the comparative advantage of being less reliant on the banking facilities in supporting the working capital, for example, letters of credit may be transferred to the suppliers to reduce the Group's working capital requirement. The Company began to negotiate with Mr. Ngok for the possible Disposal based on this direction in late April of 2010.

During this period, the Company had been approached by various independent potential investors or purchasers which had shown interests in some of the subsidiaries of the Company (the "Previous Approach"). However, the offers of such potential investors/purchasers were not favourable to the Group and the Company and such potential investors/purchasers were unable to reach a consensus on the major terms of the potential transactions in the discussions and therefore, no such transactions were materialized.

In April 2010, Standard and Poor's downgraded Greece's debt ratings below investment grade to junk bond status and Portuguese debt two notches, and issued negative outlook warning that further downgrades to junk status are likely. Stock indices around the world dropped approximately 2% to 6% on the news. In May 2010, Europe's Finance Ministers approved a comprehensive rescue package worth almost a trillion Euro dollars aimed at ensuring financial stability across Europe. Concerns about the ability of the Eurozone to deal with spreading crisis effectively caused severe market sell-off, and volatility continued to accelerate followed by strikes and protests in Eurozone countries e.g. Greece and Athens. On 8 June 2010, Euro has fallen by more than 21% to approximately Euro1: US\$1.1902 as compared to the highest exchange rate in December 2009 of approximately Euro1: US\$1.5141 on 3 December 2009.

The worsening economy in Europe further drove the Company to speed up the implementation of the Group's restructure of its apparel business and after further discussion and negotiation with Mr. Ngok the Company concluded the sale and purchase agreement with Mr. Ngok for the Disposal in early June of 2010.

Benefits from Disposal

The Disposal represents a corporate act to implement the restructure of the Company's existing apparel business from a manufacturing-and-trading mode to a trading mode so as to enjoy the following comparative advantages of the latter:

- no longer necessary for the Remaining Group to fulfill the fixed production capacity in its own PRC factories after the Disposal, the Remaining Group can flexibly source in PRC or other Asian countries which have a lower production cost;
- with less fixed costs after the Disposal, the breakeven point has been significantly lower and the Group has less pressure to recover the fixed costs, which allow the Group to focus on the profitability instead of turnover;
- less reliant on the banking facilities as substantially less fixed cost is required and letters of credit may be transferred to the suppliers; and
- with a stronger financial status of the Remaining Group, sourcing can be secured by placing deposit or more flexible payment terms to the suppliers which is not required before the crisis. Moreover, more flexible payment terms can be offered to the branded customers.

Having considered the Disposal is expected not only to benefit the Group from the above mentioned comparative advantages, it will also allow the Group to dispose the significant loss-making segment of the apparel business to improve the profit margin and to relieve the Group from the burden of making further capital injection to such segment and hence improve the overall financial position of the Group, the Directors (other than the independent non-executive Directors who will be advised by Guangdong Securities) consider the Disposal as a proactive remedy for the Group to improve and strengthen the operation and the financial performance of the Group by streamlining the apparel business into a trading mode which carries less fixed cost and provides a higher flexibility on cost-control to the Company, such that the Group will be in a better position to continue the apparel business after its restructure into a trading mode under the current macroeconomic environment although it is not expected the Disposal will eliminate the adverse impact of the worsening economy of Europe on the Group entirely. On the basis set out above, they are of the view that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OPERATION OF THE REMAINING GROUP

Apparel business

Upon Completion, the apparel business in the Remaining Group will be carried at trading-mode. There are around 50 suppliers and around 15 customers for the apparel segment under the Remaining Group and currently, approximately 20% of the total purchase made by the apparel segment under the Remaining Group is sourced from the Target Group. Generally, product price is determined based on the negotiations between the merchandisers of the trading group of the apparel segment of the Company and various suppliers including members of the Target Group. Quotes from various suppliers, including members of the Target Group, will be received and further negotiation will be proceeded with suppliers who offer favourable terms to the Company.

The gross profits of the apparel business of the Remaining Group for the year ended 31 December 2009 and for the three months ended 31 March 2010 represent approximately 13.11 times and 0.58 times respectively of the gross profits of the Target Group. The gross profit margins of the Target Group for the year ended 31 December 2009 and for the three months ended 31 March 2010 were approximately 0.80% and approximately 6.15% respectively whilst the gross profit margins of the apparel business of the Remaining Group for the year ended 31 December 2009 and for the three months ended 31 March 2010 were approximately 30.35% and approximately 20.89% respectively. There is confirmed sales orders of approximately US\$7.79 million which will be delivered to the customers from May 2010 to August 2010 for the apparel business of the Remaining Group.

The remaining apparel business will be carried at trading mode as follows:

- The potential customers will place designs to the Group for developing samples;
- The Group will source various suppliers to develop those samples;
- At the same time, the Group will negotiate with customers for the costing to develop these samples; costing sheet will be calculated internally and the price will be approved and then quote to the customers;
- Samples will be sent to customers for revision and approval;
- Once the samples have been developed, customers will start to place orders to the Group;
- At the time the customers placed purchase orders to the Group, the Group will negotiate with the suppliers for their production capacity and will only take up the orders when the conditions can be met;
- Pro forma invoices will be issued to the customers as a sales confirmation;
- Letters of credit may be issued by the customers to the Group. For open account customers, the Group will finance its purchase using its own working capital;

- Letters of credit maybe transferred to the suppliers to reduce the Group's working capital requirements; and
- Quality control will be done by the Group before delivery and throughout the whole process for monitoring.

Status of waste to energy business

The Shenzhen Pinghu plant is already in operation. The Beijing Dongcun plant is now under trial run and it is expected that the initial operation can be achieved by the fourth quarter of the year 2010. The construction of Shanghai Putuo plant is expected to be completed by the end of the year 2010 and the initial operation is expected to commence by early 2011.

As set out in the Company's announcement dated 9 July 2010, the Group entered into an agreement on 9 July 2010 (the "Framework Agreement") to increase its stake through capital injection of up to RMB78.90 million (subject to necessary governmental approvals) in an associated company, namely 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Co. Ltd.**), which is the owner and the prospective operator of the Shanghai Putuo plant mentioned above. Upon completion of the capital injection, the equity interest held by the Group in 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Co. Ltd.***) will be increased from 33.80% to the range between 50.12% to 63.00%.

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE DISPOSAL

Given that HK\$200 million of the Consideration will be settled against the Promissory Note, the gross proceeds from the Disposal will be HK\$250 million, being the Earnest Money which has already been received in December 2009, and the Company estimates that the net proceeds from the Disposal is approximately HK\$246 million. The entire net proceeds has been reserved and/or used for general working capital and/or future investments of the Group.

Upon Completion, subject to audit, the Company expects to incur a gain of approximately HK\$0.5 million which is the difference between (i) the Consideration of HK\$450 million; and (ii) the aggregate amount of net asset value of the Target Subsidiaries of approximately HK\$315 million as at 31 December 2009 and the aggregate net debts due from the Target Subsidiaries to the Remaining Group of approximately HK\$134 million as at 31 December 2009. However, given the Promissory Note will be matured on 10 December 2014, as set out in the Company's 2009 annual report, it has been discounted to the net present value of approximately HK\$106 million as at 31 December 2009 based on the effective interest rate of approximately 13.699% per annum. As such, based on the net present value of the Promissory Note as at 31 December 2009, the Disposal will result in a loss in fair value of the Promissory Note of approximately HK\$94 million (subject to audit). As a result, it is expected that there would be a net loss effect of approximately HK\$93.5 million (subject to audit) immediately upon Completion.

It is the commercial negotiation between the Company and the Purchaser to partly settle the Consideration by the Promissory Note after taking into account that

- it is commercially justifiable for a creditor to settle a payment to a debtor by first setting off the loan due from the debtor to the creditor instead of making full settlement to such payment in cash to the debtor with the previous interest-free loan remain outstanding;
- the Group may enjoy improvement on the gearing and avoid the cash outflow at maturity of the Promissory Note by setting off the Consideration with the Promissory Note; and
- the loss in fair value of the Promissory Note is only due to accounting policy and is non-cash in nature whereas the Company is indeed indebted in HK\$200 million to the Creditor under the Promissory Note.

In light of the above, the Directors (other than the independent non-executive Directors who will be advised by Guangdong Securities) consider the settlement arrangement for the Consideration is fair and reasonable and in the interest of the Company.

Upon Completion, the Target Company and the Target Subsidiaries will cease to be subsidiaries of the Company and the results of the Target Company and the Target Subsidiaries will no longer be consolidated into the Group's accounts after Completion.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As Mr. Ngok, being the ultimate beneficial owner of the Purchaser and the Creditor, is a Director and hence a connected person of the Company, the Disposal also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, the Disposal is subject to the approval by the Independent Shareholders at the EGM by way of poll. The EGM will be convened by the Company at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought appropriate, to approve the Agreement and the transactions contemplated thereunder. Mr. Ngok, the Purchaser and the Creditor and their respective associates in aggregate interested in 76,594,205 Shares, representing approximately 9.02% of the entire issued share capital of the Company as at the date of this announcement, will abstain from voting on the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee has been established to advise and give recommendation to the Independent Shareholders as to voting for or against the resolution(s) to be proposed at the EGM in relation to the Agreement and the transactions contemplated thereunder. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

There is no change in controlling Shareholder in the past 24 months from the date of the Agreement.

GENERAL

Save for the Previous Approach, the Framework Agreement and the Agreement, the Company (i) neither has current intention nor has currently engaged in discussions on any material acquisition or disposal of the Group's business or assets; and (ii) has not identified any investment target as at the date of this announcement.

The Group's working capital position and liquidity have been significantly strengthened with the Earnest Money and the net proceeds in the total of approximately HK\$315.4 million from the issue of convertible bonds and new Shares (as announced by the Company on 29 January 2010 and 13 April 2010) and placement of new Shares (as announced by the Company on 1 April and 14 April 2010) in April 2010.

A circular containing, among other things, further details of the Disposal, the financial information of the Target Group, the recommendation from the Independent Board Committee, the letter of advice from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders relating to the Agreement and the transactions contemplated thereunder and the notice of EGM will be despatched to the Shareholders. Based on the information currently available and taking into account the estimated time required to prepare the information to be included in the circular pursuant to the Listing Rules, including the financial information of the Target Group, the Company expects that the circular will be despatched on or before 10 September 2010.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:30 a.m. on 8 June 2010 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 July 2010.

DEFINITIONS

Unless the context requires otherwise, the use of capitalized terms in this announcement shall have the following meanings:

“Acquisition”	acquisition of Smartview Investment Holdings Limited by the Company as set out in the Company's announcement dated 23 September 2009 and circular dated 23 November 2009
“Agreement”	the conditional sale and purchase agreement dated 8 June 2010 entered into between the Company, the Vendor, the Purchaser and the Creditor in relation to the Disposal
“Board”	the board of Directors

“Company”	New Environmental Energy Holdings Limited (stock code: 3989), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the Agreement
“Completion Date”	the date falling the seven business day after the last condition precedent having been fulfilled or waived (or such other date as the parties to the Agreement may agree)
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the consideration of HK\$450 million of the Disposal pursuant to the Agreement
“Creditor”	Bright King Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially and wholly owned by Mr. Ngok
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Earnest Money”	the earnest money for the amount of HK\$250 million paid by the Purchaser pursuant to the MOU
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Agreement and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders other than Mr. Ngok, the Purchaser, the Creditor and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 p.m. on 30 October 2010, or such later date or time as the parties to the Agreement may agree in writing
“MOU”	the memorandum of understanding entered into between the Company and the Purchaser on 24 December 2009 in relation to, among others, the potential investment made by the Purchaser in the Vendor including but not limited to, subscription of new shares and/or convertible instruments in the Vendor, providing financing or acquiring the interest of the Vendor and/or companies held by the Vendor
“Mr. Ngok”	Mr. Ngok Yan Yu, a Director and the chairman of the Company
“Newco”	a company with limited liability incorporated in Hong Kong to be set up by the Target Company as its direct wholly owned subsidiary under the Reorganization
“Promissory Note”	an interest free promissory note in the principal amount of HK\$200 million maturing on 11 December 2014 issued by the Vendor to the Creditor on 11 December 2009 as part of the consideration for the Acquisition payable to the Creditor for the disposal of interest in the waste to energy business to the Company as set out in the announcement and circular of the Company dated 23 September 2009 and 23 November 2009 respectively
“Purchaser”	Bloom Origin Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially and wholly owned by Mr. Ngok
“Remaining Group”	the Company and its subsidiaries other than the Target Group
“Reorganization”	the reorganization to be undertaken by the Vendor for the Target Company setting up the Newco, Newco’s acquisition of Subsidiary Group B and the Target Company’s acquisition of Subsidiary Group A, following which the Target Company and its subsidiaries will have the structure as set forth in the second chart under the section headed “Reorganisation” in this announcement
“Sale Shares”	the entire issued share capital of the Target Company as at Completion

“Share(s)”	ordinary share(s) of HK\$0.1 each of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Group A”	Spring Castle Group Limited, Primeline Investment Limited and Investland Investments Limited and their respective wholly-owned subsidiaries, Limei International Limited, Hembly Garment Manufacturing Macao Commercial Offshore Limited (恒寶利製衣澳門離岸商業服務有限公司), M.T.T. Limited (恒賽爾有限公司), 恒賽爾(揚州)服裝有限公司 (M.T.T. (Yangzhou) Garment Co., Limited**)
“Subsidiary Group B”	恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited**), 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**), 亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited**), ST Sourcing Limited, 揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited), 揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited**), 恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited**) and the wholly-owned subsidiaries of 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**), namely 南京德懋商貿有限公司 (Nanjing Hembly Commercial Co., Limited**) and 深圳恒寶利服飾有限公司 (Shenzhen Hembly Garment Co., Limited**)
“Target Company”	Full Charm Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Vendor
“Target Group”	the Target Company, Newco and the Target Subsidiaries
“Target Subsidiaries”	Subsidiary Group A, Subsidiary Group B and Hembly Garment Limited (恒寶利服裝有限公司) and its wholly-owned subsidiary, Scienward (Nanjing) Garment Co. Ltd. (欣隆(南京)服裝有限公司)
“Vendor”	Full Prosper Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

“%”	per cent
“Euro”	official currency of the Eurozone
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

** *Unofficial English translation*

By order of the Board of
New Environmental Energy Holdings Limited
Ngok Yan Yu
Chairman

Hong Kong, 16 July 2010

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ngok Yan Yu, Mr. Marcello Appella and Mr. Chan Tak Yan; three non-executive Directors, namely Mr. Ho Gilbert Chi Hang, Mr. Mok Chung Kwan, Stephen and Mr. Lim Jui Kian and four independent non-executive Directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen.