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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Environmental Energy Holdings Limited, you should at once hand this circular, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED 新環保能源控股有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 03989)

- (1) CONNECTED TRANSACTION IN RESPECT OF
ISSUE OF CONVERTIBLE BOND;
- (2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF ACQUISITION OF THE TARGET COMPANY;
- (3) INCREASE IN AUTHORISED SHARE CAPITAL
OF THE COMPANY; AND
- (4) SPECIFIC MANDATE TO ISSUE NEW SHARES

Financial advisor to the Company



Independent financial adviser to the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 4 to 19 and a letter from the Independent Board Committee is set out on pages 20 to 21 of this circular. A letter from Goldin Financial containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 40 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Thursday, 19 January 2012 at The Focal Point, Level 10, World-Wide House, 19 Des Voeux Road Central, Hong Kong is set out on pages 46 to 48 of this circular. Proxy form for use at the EGM is enclosed with this circular. If you are unable to attend the EGM, you are requested to complete the accompanying proxy form, in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	20
Letter from Goldin Financial	22
Appendix — General information	41
Notice of EGM	46

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Equity by the Purchaser from the Vendor at the Consideration pursuant to terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 6 December 2011 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Announcement”	the announcement of the Company dated 6 December 2011 in respect of the Subscription, the Acquisition, the Authorised Share Capital Increase and the Specific Mandate
“Authorised Share Capital Increase”	the proposed increase in the existing authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$600,000,000 divided into 6,000,000,000 Shares by the creation of additional 4,000,000,000 unissued Shares
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Bondholder”	the holder of the Convertible Bond
“Company”	New Environmental Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration for the Sale Equity of RMB51.0 million (equivalent to approximately HK\$62.4 million) payable by the Purchaser to the Vendor
“Conversion Period”	the period commencing from 1 May 2012 and ending upon the Maturity Date
“Conversion Price”	the conversion price of HK\$0.40 per Conversion Share
“Conversion Share”	new Share which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bond
“Convertible Bond”	the convertible bond in the principal amount of HK\$100,000,000 to be issued by the Company to the Subscriber
“Director(s)”	director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders and/or the Shareholders (as the case may be) to consider and, if thought fit, approve, among other things, the Acquisition Agreement, the Subscription Agreement, the Authorised Share Capital Increase, the grant of the Specific Mandate to the Directors to allot and issue the Conversion Shares and the transactions contemplated thereunder
“Goldin Financial”	Goldin Financial Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders as to the terms of the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	the shareholder(s) of the Company other than the Subscriber, the Vendor, and their respective associates and any Shareholders who are involved in or interested in the Subscription and the Acquisition
“Last Trading Day”	5 December 2011, being the last trading day immediately before the issue of the Announcement
“Latest Practicable Date”	28 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Convertible Bond, being 31 December 2014
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“Principal Amount”	the principal amount of the Convertible Bond of HK\$100,000,000

DEFINITIONS

“Purchaser”	揚州百瑪士環保產業發展有限公司 (Yangzhou Biomax Environmental Development Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Equity”	100% equity interest in the Target Company
“SFO”	the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate sought to be granted by the Shareholders at the EGM to the Directors in relation to the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Beijing Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder of the Company
“Subscription”	the subscription of the Convertible Bond pursuant to the terms and conditions set out in the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 6 December 2011 entered into between the Company and the Subscriber in relation to the Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	醴陵首創垃圾綜合處理有限責任公司 (Liling Beijing Capital Waste Treatment Company Limited*), a company incorporated in the PRC with limited liability
“Vendor”	株洲首創水務有限責任公司 (Zhuzhou Beijing Capital Water Treatment Company Limited*), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For illustration purposes, figures in RMB in this circular have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.224. Such conversion shall not be construed as a representation that amounts in RMB were or may have been converted into HK\$ using such exchange rate or any other exchange rate or at all.

* For identification purpose only



NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

新環保能源控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

Executive Directors:

Mr. Yu Chang Jian (*Chairman*)
Mr. Liu Xiao Guang
Mr. Cao Guo Xian (*Chief Executive Officer*)
Mr. Marcello Appella
Mr. Tang Zhi Bin

Non-executive Directors:

Mr. Lim Jui Kian
Mr. Cai Qiao Herman
(alternate Director to Mr. Lim Jui Kian)

Independent non-executive Directors:

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong*

Unit 1613-1618
16/F, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

31 December 2011

To the Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION IN RESPECT OF
ISSUE OF CONVERTIBLE BOND;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF ACQUISITION OF THE TARGET COMPANY;
(3) INCREASE IN AUTHORISED SHARE CAPITAL
OF THE COMPANY; AND
(4) SPECIFIC MANDATE TO ISSUE NEW SHARES**

INTRODUCTION

Reference is made to the Announcement issued by the Company.

LETTER FROM THE BOARD

On 6 December 2011, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bond in the principal amount of HK\$100,000,000.

On 6 December 2011, the Purchaser entered into the Acquisition Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Equity, representing 100% equity interest in the Target Company at a consideration of RMB51.0 million (equivalent to approximately HK\$62.4 million). The Consideration shall be satisfied by cash.

As at the Latest Practicable Date, the existing authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares, of which 1,551,881,039 Shares have been issued and 235,796,460 Shares shall be issued upon the conversion of the existing convertible notes and convertible bonds issued by the Company. As such, the number of Shares which the Company may issue and allot under the existing authorised share capital of the Company is insufficient to cover the issue of the Conversion Shares, if the conversion rights attaching to the Convertible Bond is to be exercised fully.

The purpose of this circular is to provide you with, among other things, details of the Subscription Agreement, the Acquisition Agreement, the Authorised Share Capital Increase, the grant of the Specific Mandate, the transactions contemplated thereunder, the recommendations of the Independent Board Committee, the advice of Goldin Financial and the notice convening the EGM.

THE SUBSCRIPTION AGREEMENT

Date

6 December 2011

Parties

Issuer: the Company

Subscriber: Beijing Capital (Hong Kong) Limited

The Subscription

Subject to the fulfilment or waiver (where appropriate) of the conditions precedent set out in the section headed “Conditions precedent” below, the Company has agreed to issue, and the Subscriber has agreed to subscribe for the Convertible Bond in the principal amount of HK\$100,000,000 at an initial conversion price of HK\$0.40 per Conversion Share. The Maturity Date is 31 December 2014.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Subscription Agreement is conditional upon, among other things, the following conditions being fulfilled (or waived by the relevant party in writing) at or before 5:00 p.m. (Hong Kong time) on or before 30 June 2012:

1. the Listing Committee of the Stock Exchange having granted:
 - i. the listing of and the permission to deal in all Conversion Shares that fall to be issued upon the exercise in full of the conversion rights attaching to the Convertible Bond; and
 - ii. if required, approval for the issue of the Convertible Bond;
2. the authorised share capital of the Company having been increased from HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.1 each to HK\$600,000,000 divided into 6,000,000,000 Shares of HK\$0.1 each;
3. the passing by the Independent Shareholders at the EGM an ordinary resolution approving the Subscription Agreement and the transactions contemplated thereunder including but not limited to the Authorised Share Capital Increase, the issue of the Convertible Bond and the grant of the Specific Mandate;
4. evidence showing that the passing by the Directors a resolution approving and authorising (i) the Authorised Share Capital Increase; (ii) the execution of the Subscription Agreement; (iii) the issue of the Convertible Bond and the certificate in respect thereof upon the terms and subject to the conditions contained therein; and (iv) the entry of the name of the Subscriber or its nominee into the register of the Bondholder as the holder of the Convertible Bond;
5. evidence showing that the passing by the directors of the Subscriber resolutions and all other necessary approvals having been obtained by the Subscriber, approving and authorising (i) the execution of the Subscription Agreement; and (ii) the acceptance of the Convertible Bond and the certificate in respect thereof upon the terms and subject to the conditions contained therein;
6. all consents and approvals of, notices to and filings and registration with any approval authorities or any other person, in connection with the Subscription Agreement and the transaction contemplated thereunder having been obtained or effected;
7. the warranties made by the Company set out in the Subscription Agreement remaining true and accurate and not misleading in all respects as at completion of the Subscription Agreement; and
8. the warranties made by the Subscriber set out in the Subscription Agreement remaining true and accurate and not misleading in all respects as at completion of the Subscription Agreement.

LETTER FROM THE BOARD

The Company has the right to waive (with or without additional conditions imposed) condition precedent 8 above. The Subscriber has the right to waive (with or without additional conditions imposed) condition precedent 7 above.

If any of the above conditions precedent is not fulfilled (or waived by the relevant party in writing, which waiver if granted may be subject to such conditions as such party deems fit) at or before 5: 00 p.m. (Hong Kong time) on or before 30 June 2012 or such other time and/or date as the Company and the Subscriber shall mutually agree, the Subscription Agreement shall forthwith become null and void and cease to have any effect whatsoever and neither party shall have any claims against the other for costs, damages, compensations or otherwise (save for liabilities for any antecedent breaches) of the Subscription Agreement. The long stop date has been agreed by the Company and the Subscriber to provide enough time for, among other things the Subscriber to obtain all internal consents from its Shareholders and external approvals from relevant government authorities in the PRC. As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

Completion

Completion of the Subscription Agreement shall take place after fulfilment or waiver (where appropriate) of all the above conditions precedent. The Subscriber shall pay or procure payment to the Company of the Principal Amount by telegraphic transfer to the bank account designated by the Company.

THE CONVERTIBLE BOND

The principal terms of the Convertible Bond to be issued by the Company are set out as follows:

Principal amount

HK\$100,000,000

Interest

The Convertible Bond shall not bear any interest.

Maturity

31 December 2014

LETTER FROM THE BOARD

Conversion Price

The initial conversion price of HK\$0.40 per Conversion Share was arrived at after arm's length negotiations between the Company and the Subscriber taking into account the prospects of the Group, the current situation of Hong Kong stock market and the closing price of the Shares on the Last Trading Day. The Conversion Price represents:

- i. a premium of approximately 14.29% to the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the Last Trading Day;
- ii. a premium of approximately 14.29% to the average of the closing prices of approximately HK\$0.35 per Share for the five trading days of the Shares up to and including the Last Trading Day; and
- iii. a premium of approximately 56.86% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price is subject to adjustment for, among other matters, sub-division, consolidation, capitalisation of profits or reserves, capital distribution, rights issue of Shares or options over Shares, rights issue of securities other than Shares or options, warrants or other rights to subscribe for or purchase Shares, issue of Shares or grant of options, warrants or other rights to subscribe for or purchase Shares or other issues at a price which is less than 90 per cent of the then market price of the Shares at the time of the announcement of relevant events. The Directors consider that the aforementioned adjustments for the Conversion Price are common to similar convertible securities in the market.

Conversion Shares

Assuming that the conversion rights attaching to the Convertible Bond at the initial Conversion Price of HK\$0.40 per Share are exercised in full and none of the outstanding convertible securities and share options are converted or exercised, a total of 250,000,000 Conversion Shares may be issued, representing approximately 16.11% of the number of Shares in issue as at the Latest Practicable Date and approximately 13.87% of the enlarged number of Shares in issue.

No application will be made for the listing of, or permission to deal in, the Convertible Bond on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Company will seek the Specific Mandate from the Independent Shareholders for the allotment and issue of the Conversion Shares.

LETTER FROM THE BOARD

Conversion

The Bondholder shall have the right to convert the whole or part of the outstanding principal amount of the Convertible Bond (which shall be in the principal amount of HK\$1,000,000 or its integral multiples) into Shares at any time and from time to time during the Conversion Period.

However, the Bondholder shall not have the right to convert the whole or part of the outstanding principal amount of the Convertible Bond into Shares to the extent that immediately after such conversion, there will not be sufficient public float of the Shares as required under the Listing Rules.

In the event that immediately after such conversion, the Bondholder together with parties acting in concert with it, taken together, directly or indirectly, control or be interested in 30% or more of the voting rights of the Company (or in such percentage as may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer), a general offer shall be given by the Bondholder and the parties acting in concert with it in accordance with the requirement of the Takeovers Code or, where applicable, waiver from the Shareholders should be obtained by the Bondholder and the parties acting in concert with it in accordance with the Takeovers Code.

Voting

The Bondholder shall not be entitled to attend or vote at any meeting of the Company by reason only of it being the Bondholder.

Early redemption

Subject to the events of default below, the Bondholder shall have no right before the Maturity Date to request the Company to redeem the whole or part of the outstanding principal amount of the Convertible Bond. The Company may not redeem the Convertible Bond at its option prior to the Maturity Date.

Events of default

The Convertible Bond will contain events of default provisions which provide that on the occurrence of certain events of default specified in the conditions of the Convertible Bond (e.g. default of the Company in the performance or observance of or compliance with its obligations set out in the Subscription Agreement, insolvency and liquidation), the Subscriber (who acts for and on behalf of itself as a Bondholder or, if any, all other Bondholders provided that the Subscriber has obtained valid written authorisation from Bondholders in aggregate holding not less than 50% of the then outstanding principal amount of the Convertible Bond) shall be entitled, by giving notice to the Company, to demand for immediate redemption of the outstanding principal amount of the Convertible Bond.

LETTER FROM THE BOARD

Undertakings

The Company undertakes to the Subscriber that it shall comply with the terms and conditions of the Subscription Agreement and the Convertible Bond, in particular, the Company shall duly allot and issue the Convertible Bond, the Conversion Shares, the certificate of the Convertible Bond and the certificates in respect of the Conversion Shares in accordance with the provisions of the Subscription Agreement, the certificate of the Convertible Bond and its memorandum of association and articles of association.

The Company shall also at all times hereafter keep the Subscriber (and its successors and assignees) indemnified, on demand, against all losses, damages, costs and expenses which may be reasonably incurred or suffered by the Subscriber (or its successors or assignees) as a result of any occurrence of any event of default or any breach by the Company of any warranties made by the Company, undertaking, guarantee or covenant contained in the Subscription Agreement.

Status of the Convertible Bond

The Convertible Bond constitutes a direct, unconditional, unsecured and unsubordinated obligation of the Company and ranks pari passu and rateably without preference (with the exception of obligations in respect of applicable tax registration and certain other statutory exceptions) with all other unsecured and unsubordinated obligations of the Company. The Conversion Shares shall rank pari passu in all respects with all other existing Shares and shall be entitled to all dividends and other distributions.

Transferability

The Convertible Bond is issued in registered form and may be assigned or transferred in whole or in part to any independent third party. The Convertible Bond may not be assigned or transferred to party or parties connected with or acting in concert with any of the Directors, chief executives or substantial Shareholders, any of its subsidiaries or any of their respective associates.

LETTER FROM THE BOARD

USE OF NET PROCEEDS

The gross proceeds from the Subscription are HK\$100,000,000. The estimated amount of net proceeds from the issue of the Convertible Bond (after deduction of expenses) will be approximately HK\$96.8 million, which is intended to be used for the investment in any potential waste treatment or environment-friendly energy development projects and for general working capital of the Company. Based on the initial Conversion Price, the estimated net proceeds to be raised per Conversion Share will be approximately HK\$0.39. Approximately HK\$62.4 million of the net proceeds will be utilised for the Acquisition and the remaining part of the net proceeds will be utilised for general working capital of the Company.

Save for the Acquisition, the Company has no acquisition or investment under negotiation or identified as at the Latest Practicable Date. In addition, the Company has no plan for any other acquisition from the Subscriber or its Associates as at the Latest Practicable Date. The Company has no intention to conduct any further fund raising activities as at the Latest Practicable Date.

The exercise of the conversion rights attaching to the Convertible Bond and other existing Convertible Securities by the Subscriber and its Associates may result in change in control. Shareholders should note that any acquisition or any series of acquisitions of assets from the Subscriber or its associates in the future constituting a very substantial acquisition where there is or which will result in a change in control (as defined in the Takeovers Code) of the Company may be classified as a reverse takeover.

REASONS FOR THE SUBSCRIPTION

The Company acts as an investment holding company. The Group is principally engaged in trading of apparel and accessories and provision of waste treatment technologies and services which specialise in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. The Subscriber is a substantial Shareholder of the Company and is an investment holding company.

The Subscription, if completed, will provide additional financial resources to the Group for capital expenditures to acquire suitable business projects and working capital. If the Convertible Bond is fully converted at the initial conversion price of HK\$0.40 each, a maximum of 250,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond in full. Assuming none of the outstanding convertible securities and share options are converted or exercised, the shareholding of the existing public Shareholders in the Company may be diluted from approximately 38.99% to approximately 33.58% immediately after the full conversion of the Convertible Bond. The terms and conditions of the Subscription Agreement have been agreed after arm's length negotiations between the Company and the Subscriber. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Subscription and assuming the conversion rights attaching to the Convertible Bond are exercised in full and none of the outstanding convertible securities and share options are exercised, assuming there being no other change to the shareholding structure of the Company after the Latest Practicable Date:

	As at the Latest Practicable Date		Immediately after completion of the Subscription and assuming the conversion rights attaching to the Convertible Bond are exercised in full and none of the outstanding convertible securities and share options are exercised	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Beijing Capital (Hong Kong) Limited (<i>Note 1</i>)	299,022,000	19.27	549,022,000	30.47
Simple Success Investments Limited	270,760,000	17.45	270,760,000	15.03
Best View Enterprises Limited	75,638,000	4.87	75,638,000	4.20
Charm Hero Investments Limited, Mr. Ngok Yan Yu and his associates	145,670,205	9.39	145,670,205	8.08
Zesiger Capital Group LLC	152,032,000	9.80	152,032,000	8.44
Sycomore Limited, Mr. Appella Marcello and his associates (<i>Note 2</i>)	3,588,030	0.23	3,588,030	0.20
Public Shareholders	<u>605,170,804</u>	<u>38.99</u>	<u>605,170,804</u>	<u>33.58</u>
Total	<u>1,551,881,039</u>	<u>100.00</u>	<u>1,801,881,039</u>	<u>100.00</u>

Notes:

1. Beijing Capital (Hong Kong) Limited is interested in a convertible note issued by the Company with principal amount of HK\$177,000,000 and the initial number of ordinary Shares issuable upon conversion of such convertible note is 156,637,168 Shares at the conversion price of HK\$1.13 per Share.
2. These Shares are held by Sycomore Limited, which is owned as to 50% by Mr. Marcello Appella, an executive Director, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella.

LETTER FROM THE BOARD

If the Subscriber nonetheless exercises its right to convert the Convertible Bond in full at a conversion price of HK\$0.40, the Subscriber will be interested in approximately 30.47% of the total issued share capital of the Company and will become the controlling shareholder of the Company and thereby trigger a mandatory general offer obligation in accordance with the Takeovers Code. In such event, the Subscriber has confirmed to the Company that it will comply with the relevant provisions of the Takeovers Code as and when appropriate.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

The table below sets out the details of the equity fund raising activities of the Company conducted during the twelve months ended from the Latest Practicable Date including the actual use of proceeds obtained therefrom. All of the funds raised within the twelve months ended the Latest Practicable Date have been utilised or reserved as intended.

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
4 August 2011	Issue of new Shares and convertible note	HK\$54.8 million for issue of new Shares and HK\$80.5 million for issue of convertible note	To redeem the promissory notes	Redeemed the promissory notes
30 March 2011	Placing of new Shares	HK\$78.8 million	To be used as the general working capital of the Group and/or repayment of debts of the Group	Kept at bank and to be used as general working capital of the Group

THE ACQUISITION AGREEMENT

Date

6 December 2011

Parties

Vendor: 株洲首創水務有限責任公司 (Zhuzhou Beijing Capital Water Treatment Company Limited*)

Purchaser: 揚州百瑪士環保產業發展有限公司 (Yangzhou Biomax Environmental Development Limited*), an indirect wholly-owned subsidiary of the Company

* For identification purpose only

LETTER FROM THE BOARD

Assets to be acquired

The Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Equity, representing 100% equity interest in the Target Company.

The Consideration

The Consideration shall be RMB51.0 million (equivalent to approximately HK\$62.4 million) which shall be satisfied by cash. 30% of the Consideration (being RMB15.3 million, equivalent to approximately HK\$18.7 million) shall be payable 15 days after the transfer of the Sale Equity from the Vendor to the Purchaser (the “Transfer”). The remaining 70% of the Consideration (being RMB35.7 million, equivalent to approximately HK\$43.7 million) shall be payable 60 days after the Transfer. The Subscription and the Acquisition are not inter-conditional. The Company intends to finance the Acquisition from the net proceeds of the Subscription. In the event that the Subscription does not proceed, the Company intends to finance the Consideration by way of equity financing including but not limited to placing of new Shares and rights issue.

The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor and was determined after taking into consideration the audited net asset value of the Target Company as at 30 June 2011 and the future prospects of the Target Company. The Consideration represents a price to net asset ratio of approximately 1.5 times.

Conditions precedent

Completion shall be conditional upon the fulfilment or waiver of the following conditions (as the case may be):

1. the Acquisition Agreement being legally binding to the Purchaser and the Vendor;
2. the Purchaser being satisfied with the results of the due diligence review to be conducted on the Target Company;
3. all necessary authorisation, consents, fillings and approvals from the shareholders and the executive directors of the Target Company, the local government authorities of the Target Company and the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality having been obtained, or all necessary open transaction procedures for the transfer of state-owned assets having been performed;
4. the representations and warranties as stated in the Acquisition Agreement being true and accurate in all respects at all times; and
5. the Company having obtained the approval by the Stock Exchange and the Independent Shareholders at a duly convened shareholders’ meeting of the Company approving the Acquisition Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The Purchaser has the right to waive (with or without additional conditions imposed) conditions precedent 2 and 4 above. The Vendor has the right to waive (with or without additional conditions imposed) condition precedent 4 above.

In the event that the above conditions precedent cannot be fulfilled or waived by the Vendor or the Purchaser (as the case may be) on or before 31 December 2012 (or such other date or time as agreed between the Vendor and the Purchaser in writing), the Acquisition Agreement shall be automatically terminated forthwith and cease to be of any effect on the parties to the Acquisition Agreement. As at the Latest Practicable Date, condition precedent 1 has been fulfilled.

Completion

Completion shall take place upon the fulfilment or waiver of the conditions precedent referred to above or such other date as the parties to the Acquisition Agreement may agree.

INFORMATION ON THE TARGET COMPANY AND THE VENDOR

The Target Company, established in the PRC on 15 September 2010, is principally engaged in the comprehensive treatment of municipal solid waste and public infrastructure investment, investment management, technology development and consulting. The registered capital of the Target Company is RMB32,000,000.

Set out below is an extract from the PRC audited financial statement of the Target Company for the period from 15 September 2010 to 31 December 2010 and the six months ended 30 June 2011:

	(Audited) For the period from 15 September 2010 to 31 December 2010 <i>RMB'000</i>	(Audited) For the six months ended 30 June 2011 <i>RMB'000</i>
Turnover	3,271	6,299
Profit before taxation	1,303	2,148
Profit after taxation	1,303	2,148

As at 30 June 2011, the audited net asset value of the Target Company was approximately RMB34.3 million (equivalent to approximately HK\$42.0 million).

The Vendor is principally engaged in urban water supply, waste treatment facility investment, investment management, technology development and consulting. The Vendor is indirectly wholly-owned by the holding company of the Subscriber.

LETTER FROM THE BOARD

REASONS FOR THE ACQUISITION

The Company acts as an investment holding company. The Group is principally engaged in trading of apparel and accessories and provision of waste treatment technologies and services which specialise in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Due to the anticipated adverse operating conditions of the trading of apparel and accessories business segment, the Company plans to dispose of such business segment (the “Disposal”), details of which are set out in the circular of the Company dated 28 December 2011. The Disposal constitutes a major transaction of the Company. As at the Latest Practicable Date, the Disposal is yet to be completed pending, among others, the obtaining of the Shareholders’ approval at the extraordinary general meeting to be held for approving the Disposal.

The Group has been exploring investment opportunities in waste treatment businesses. The Directors consider that the Acquisition is a good opportunity for the Group to invest in waste treatment businesses with an aim to strengthen the Group’s revenue base and to enhance Shareholders’ value. Notwithstanding the cash outlay for settlement of the Consideration, the Directors consider that the Acquisition will not bring any significant disadvantage to the Company.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the existing authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares, of which 1,551,881,039 Shares have been issued and 235,796,460 Shares shall be issued upon the conversion of the existing convertible notes and convertible bonds issued by the Company. As such, the number of Shares which the Company may allot and issue under the existing authorised share capital of the Company is insufficient to cover the issue of the Conversion Shares, if the conversion rights attaching to the Convertible Bond are to be exercised fully.

Accordingly, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$600,000,000 divided into 6,000,000,000 Shares by the creation of additional 4,000,000,000 unissued Shares. Such additional Shares will rank pari passu in all respects with the existing Shares. The Authorised Share Capital Increase is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

Save for the issue of new Shares upon exercise of the conversion rights attaching to the Convertible Bond and any other outstanding convertible securities and share options, the Company has no intention of issuing any part of the increased authorised share capital as at the Latest Practicable Date.

LETTER FROM THE BOARD

SPECIFIC MANDATE TO ISSUE NEW SHARES

The Directors were granted the existing general mandate at the general meeting held on 30 June 2011 to allot, issue and otherwise deal with a maximum of 242,511,407 Shares, representing 20% of the total amount of the issued share capital of the Company of 1,212,557,039 Shares as at the date of the aforesaid general meeting. Since the granting of the said general mandate, the Company has not utilised any portion in respect thereof.

Upon the full conversion of the Convertible Bond, a total of 250,000,000 new Shares are required to be issued by the Company. As such, the Specific Mandate for the issue of 250,000,000 new Shares will be sought in the EGM to cater for the issue of the Conversion Shares.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen, being all of the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Goldin Financial has been appointed as the independent financial adviser to the Company to provide the Independent Board Committee and the Independent Shareholders with independent advice in this regard.

LISTING RULES IMPLICATIONS

As (i) the Subscriber is a substantial Shareholder of the Company; and (ii) the Vendor is an indirect wholly-owned subsidiary of the holding company of the Subscriber, which is a substantial Shareholder of the Company, the Subscriber and the Vendor are connected persons of the Company and the Subscription and the Acquisition constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios of the Acquisition calculated under Chapter 14 of the Listing Rules exceeds 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company. Therefore, the Subscription and the Acquisition are subject to the reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules. The allotment and issue of the Conversion Shares in the event of exercise of the conversion right attaching to the Convertible Bond will be under the Specific Mandate to be sought at the EGM.

The Acquisition Agreement, the Subscription Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders by way of poll at the EGM.

The Authorised Share Capital Increase is subject to the approval of the Shareholders by way of poll at the EGM. No Shareholder is required to abstain from voting at the EGM in respect of this proposed resolution.

LETTER FROM THE BOARD

EGM

Notice convening the EGM to be held at 11:00 a.m. on 19 January 2012 at The Focal Point, Level 10, World-Wide House, 19 Des Voeux Road Central, Hong Kong is set out on pages 46 to 48 of this circular. Resolutions will be proposed to consider at the EGM and, if thought fit, approve the Subscription Agreement, the Acquisition Agreement, the Authorised Share Capital Increase, the grant of the Specific Mandate to the Directors to allot and issue the Conversion Shares and the transactions contemplated thereunder.

The Subscriber, the Vendor and their respective associates will abstain from voting in the EGM for the approval of the Subscription Agreement, the Acquisition Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder. As at the Latest Practicable Date, the Subscriber, the Vendor and their respective associates are interested in 299,022,000 Shares, representing approximately 19.27% of the issued share capital of the Company.

Mr. Yu Chang Jian, Mr. Liu Xiao Guang and Mr. Cao Guo Xian, executive Directors of the Company, are the directors of Beijing Capital (Hong Kong) Limited. Mr. Yu Chang Jian is the director and the general manager of the holding Company of Beijing Capital (Hong Kong) Limited. Mr. Liu Xiao Guang is the chairman of the board of directors of the holding Company of Beijing Capital (Hong Kong) Limited. Mr. Yu Chang Jian, Mr. Liu Xiao Guang and Mr. Cao Guo Xian have abstained from voting in the board resolutions for the approval of the Subscription Agreement, the Acquisition Agreement, the grant of the Specific Mandate and the transactions contemplated thereunder.

Proxy form for use at the EGM is enclosed with this circular. If you are unable to attend the EGM, you are requested to complete the accompanying proxy form, in accordance with the instructions printed thereon and deposit the same to the Company's branch share registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATIONS

Taking into account the reasons set out above, the Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement, the Acquisition Agreement, the Authorised Share Capital Increase, the grant of the Specific Mandate to the Directors to allot and issue the Conversion Shares and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and therefore recommend the Independent Shareholders and Shareholders (as the case may be) to vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 20 to 21 of this circular, and the letter from Goldin Financial to the Independent Board Committee and Independent Shareholders set out on pages 22 to 40 of this circular, the information set out in the appendix to this circular and the notice of the EGM.

By order of the Board
New Environmental Energy Holdings Limited
Yu Chang Jian
Chairman



NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

新環保能源控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

31 December 2011

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RESPECT OF
ISSUE OF CONVERTIBLE BOND; AND
DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF ACQUISITION OF THE TARGET COMPANY**

We refer to the circular of the Company to the Shareholders dated 31 December 2011 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the connected transactions under the Subscription Agreement and the Acquisition Agreement. Goldin Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Your attention is drawn to the letter from the Board and the letter from Goldin Financial containing its advice to us and the Independent Shareholders as set out in this circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other things, the terms of the Subscription Agreement, the Acquisition Agreement, and the factors and reasons considered by and the opinions of Goldin Financial, we are of the opinion that the terms of the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and 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 ordinary resolutions to be proposed at the EGM.

Yours faithfully,
Independent Board Committee

Mr. Lo Ming Chi,
Charles

Mr. Pao Ping Wing **Mr. Kwan Hung Sang,**
Francis

Mr. Cheng Kai Tai,
Allen

LETTER FROM GOLDIN FINANCIAL

The following is the full text of the letter from Goldin Financial to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the Acquisition Agreement, prepared for the purpose of incorporation in this circular.



高銀融資有限公司

GOLDIN FINANCIAL LIMITED

Goldin Financial Limited

23rd Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

31 December 2011

*To: the Independent Board Committee and the Independent Shareholders of
New Environmental Energy Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION IN RESPECT OF ISSUE OF CONVERTIBLE BOND; AND DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Acquisition Agreement, details of which are set out in the letter from the board (the “Letter from the Board”) contained in the circular dated 31 December 2011 issued by the Company (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 6 December 2011, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bond in the principal amount of HK\$100,000,000. On the even date, the Purchaser entered into the Acquisition Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor conditionally has agreed to sell the Sale Equity, representing 100% equity interest in the Target Company at a consideration of RMB51.0 million (equivalent to approximately HK\$62.4 million).

As (i) the Subscriber is a substantial Shareholder of the Company; and (ii) the Vendor is an indirect wholly-owned subsidiary of the holding company of the Subscriber, which is a substantial Shareholder of the Company, the Subscriber and the Vendor are connected persons of the Company and the Subscription and the Acquisition constitute connected transactions for the Company under Chapter 14A of the Listing Rules. As certain

LETTER FROM GOLDIN FINANCIAL

applicable percentage ratios of the Acquisition calculated under Chapter 14 of the Listing Rules exceeds 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company. Therefore, the Subscription and the Acquisition are subject to the reporting, announcement and Independent Shareholders' approval requirement under the Listing Rules. The allotment and issue of the Conversion Shares in the event of exercise of the conversion right attaching to the Convertible Bond will be under the Specific Mandate to be sought at the EGM. The Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders by way of poll at the EGM. The Subscriber, the Vendor and their respective associates will abstain from voting in the EGM for the approval of, among others, the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, the Subscriber, the Vendor and their respective associates were interested in 299,022,000 Shares, representing approximately 19.27% of the issued share capital of the Company.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all 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, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and whether the entering into of the Subscription Agreement and the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote taking into account the recommendations of Goldin Financial.

We, Goldin Financial, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder and to make a recommendation as to, among others, whether the terms of the Subscription Agreement and the Acquisition Agreement are fair and reasonable and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee.

BASIS OF OUR ADVICE

In formulating our opinions and recommendations, we have reviewed, inter alia, the Announcement, the Subscription Agreement, the Acquisition Agreement and the annual reports of the Company for the two years ended 31 December 2009 and 2010, respectively and interim report of the Company for the six months ended 30 June 2011. We have also reviewed certain information provided by the management of the Company relating to the operation, financial condition and prospect of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such reports,

LETTER FROM GOLDIN FINANCIAL

information and any representation made to us, which we have relied upon in formulating our opinion, are true, accurate and complete in all material respects as at the date hereof and the Shareholders will be notified of any material changes as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Subscription Agreement and the Acquisition Agreement and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinions were necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the Acquisition Agreement, we have taken into account the following principal factors and reasons:

1. Business and financial information of the Group

The Company is an investment holding company. The Group is principally engaged in (i) trading of apparel and accessories, being provision of supply chain services for the supply of apparel and accessories to international brands; and (ii) waste treatment and waste-to-energy business, being investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in first tier cities in the PRC primarily on a build-operate-transfer basis with a concessionary period of 25 to 30 years as well as sales of waste-to-energy machines. Set out below is the audited financial information of the Group for the two years ended 31 December 2009 and 2010, respectively as extracted from the

LETTER FROM GOLDIN FINANCIAL

Group's annual reports for the relevant financial years and the unaudited financial information of the Group for the six months ended 30 June 2011 as extracted from the Group's 2011 interim report:

Table 1: Financial highlights of the Group

	For the year ended 31 December		For the six months ended 30 June	
	2010	2009	2011 (unaudited)	2010 (unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from continuing operations	195,233	117,598	21,945	63,344
Loss attributable to owners of the Company	<u>(742,303)</u>	<u>(978,257)</u>	<u>(180,389)</u>	<u>(292,945)</u>
		As at 31 December 2010	As at 31 December 2009	As at 30 June 2011 (unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		531,585	1,051,608	543,874
Current assets		308,014	886,585	267,267
(Current liabilities)		(245,861)	(709,109)	(198,988)
Net current assets		62,153	177,476	68,279
Net assets		<u>71,479</u>	<u>506,497</u>	<u>171,240</u>

The Group's revenue from continuing operations increased from approximately HK\$117.60 million to approximately HK\$195.23 million for the year ended 31 December 2010, representing an increase of approximately 66.01%. As advised by the management of the Company, such increase was mainly due to the improved market conditions for its trading of apparel and accessories business and the completion of acquisition of waste treatment and waste-to-energy business on 11 December 2009. Loss attributable to the owners of the Company for the year ended 31 December 2010 amounted to approximately HK\$742.30 million, reduced by approximately HK\$235.96 million as compared with the loss of approximately HK\$978.26 million for the year ended 31 December 2009. As advised by the management of the Company, such loss was mainly due to the impairment loss on goodwill of approximately HK\$415.91 million attributable to the waste treatment and waste-to-energy business. In December

LETTER FROM GOLDIN FINANCIAL

2009, the Company entered the PRC's waste-to-energy market through the acquisition of a group of companies principally engaged in waste-to-energy business in the PRC. The Group had discontinued the businesses of manufacture of apparel and accessories and distribution and retailing of apparel and footwear during the years ended 31 December 2009 and 31 December 2010, respectively.

As at 31 December 2010, the Group had audited net current assets of approximately HK\$62.15 million and audited net assets of approximately HK\$71.48 million.

For the six months ended 30 June 2011, revenue from continuing operations decreased from approximately HK\$63.34 million to approximately HK\$21.95 million, representing a decrease of approximately 65.35%. As advised by the management of the Company, such decrease was mainly due to the downturn of the European market for its trading of apparel and accessories business and the slowdown of its waste treatment and waste-to-energy projects. Loss attributable to the owners of the Company amounted to approximately HK\$180.39 million, narrowed down from the loss of approximately HK\$292.95 million in the previous period. Such lower loss was mainly due to that a loss of approximately HK\$106.43 million was recorded for the discontinued operations in the six months ended 30 June 2010 against nil in the six months ended 30 June 2011.

As at 30 June 2011, the Group had unaudited net current assets of approximately HK\$68.28 million and unaudited net assets of approximately HK\$171.24 million.

2. Reasons for, and benefits of, entering into the Subscription Agreement and the Acquisition Agreement

Background information on the Target Company

As stated in the Letter from the Board, the Target Company was established in the PRC on 15 September 2010 and is principally engaged in the comprehensive treatment of municipal solid waste and public infrastructure investment, investment management, technology development and consulting. Set out below is a summary of the PRC audited financial information of the Target Company

LETTER FROM GOLDIN FINANCIAL

for the period from 15 September 2010 to 31 December 2010 and for the six months ended 30 June 2011:

Table 2: Financial highlights of the Target Company

	For the period from 15 September 2010 to 31 December 2010 (Audited) <i>Approximate RMB'000</i>	For the six months ended 30 June 2011 (Audited) <i>Approximate RMB'000</i>
Turnover	3,271	6,299
Profit before taxation	1,303	2,148
Profit after taxation	1,303	2,148

For the period from 15 September 2010 (date of establishment) to 31 December 2010, the Target Company recorded turnover of approximately RMB3.27 million and a profit after taxation of approximately RMB1.30 million. For the six months ended 30 June 2011, the Target Company recorded turnover of approximately RMB6.30 million and a profit after taxation of approximately RMB2.15 million. As at 30 June 2011, the audited net asset value of the Target Company amounted to approximately RMB34.3 million (equivalent to approximately HK\$42.0 million). As shown in the financial information of the Target Company above, it is noted that the Target Company has maintained a profitable track record.

Reasons for, and benefits of, entering into the Subscription Agreement and the Acquisition Agreement

The Group is principally engaged in trading of apparel and accessories, provision of waste treatment technologies and services which specialises in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. As stated in the Letter from the Board, the Company has been exploring investment opportunities in waste treatment and waste-to-energy businesses. In anticipation of the adverse operating conditions of the trading of apparel and accessories business segment and in alignment with the Group's development focus on waste treatment and waste-to-energy businesses, on 2 December 2011, the Company announced its plan to dispose of its business of trading of apparel and accessories (the "Disposal"), which was as at the Latest Practicable Date subject to, among others, the obtaining of the Shareholders' approval. Closely following the aforesaid announcement of the proposed disposal, on 6 December 2011, the Company entered into the Acquisition Agreement with the Vendor to acquire the entire equity interest in the Target Company, which is

LETTER FROM GOLDIN FINANCIAL

principally engaged in the comprehensive treatment of municipal solid waste in the PRC and public infrastructure investment, investment management, technology development and consulting.

In support of the Group's development strategy, on 6 December 2011, the even date of entering into of the Acquisition Agreement, the Company entered into the Subscription Agreement with the Subscriber to issue the Convertible Bond in the principal amount of HK\$100,000,000. As stated in the Letter from the Board, the Company proposes to raise net proceeds (after deduction of expenses) of approximately HK\$96.8 million from the issue of the Convertible Bond, which is intended to be used for the investment relating to any potential waste treatment or environment-friendly energy development projects as well as for general working capital of the Company.

From our assessment on the PRC's waste treatment industry, it is noted that, alongside the PRC's rapid economic development, with real Gross Domestic Product growing at 10.3% in 2010 and projected to be 9.5% and 9% for 2011 and 2012 respectively according to the International Monetary Fund, the increasing amount of municipal solid waste generated rises as one of the major challenges for city management in the PRC. Based on the China Statistical Yearbook 2011 issued by National Bureau of Statistics of China in October 2011, the total disposal amount of municipal solid waste in the PRC reached approximately 158 million tonnes in 2010, representing a year-on-year increase of approximately 4.52%. The rate of non-polluting disposal of municipal solid waste in the PRC increased from approximately 71.4% in 2009 to approximately 77.9% in 2010, reflecting the escalation of waste treatment effort in response to the increasingly enormous amount of municipal solid waste generated in the country while at the same time showing the outstanding rate of non-polluting disposal of municipal solid of over 20%, leaving rooms for further demand for waste treatment as well as growth in the waste treatment industry in the PRC.

According to 《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》 (the Twelfth Five-Year National Economic and Social Development Planning Summary of the PRC*, the "Twelfth Five-Year Plan") for 2011 to 2015 set out by the PRC Government, the PRC Government targets to strengthen environmental conservation in the country by, among others, increasing the nationwide municipal sewage treatment rate and solid waste treatment rate to 85% and 80%, respectively. Following the Twelfth Five-Year Plan, in April 2011, the State Council of the PRC issued the 《關於進一步加強城市生活垃圾處理工作的意見》 (Opinions on further strengthening municipal solid waste treatment*, the "Opinions") to the country's sixteen major authorities to execute relevant policies to address the eminent issue of municipal solid waste treatment in accordance with the Twelfth Five-Year Plan. According to the Opinions, the PRC government intends to, among other measures, support and promote the waste treatment industry through, including but not limited to, offering subsidies and incentives to industry participants and accelerating the approval process for the establishment of waste disposal treatment facilities and related businesses. The

LETTER FROM GOLDIN FINANCIAL

Opinions sets out the PRC government's targets to increase the rate of non-polluting disposal of municipal solid waste to 80% nationwide by 2015, up from approximately 77.9% in 2010, with municipalities, provincial capitals and designated cities achieving 100% non-polluting disposal which will be further extended to the whole country by 2030. Having considered the increasing demand for waste treatment in the PRC derived from the increasing generation of municipal solid waste, the favourable policies adopted by the PRC government promoting the waste treatment industry, and the PRC government's target to increase the rate of non-polluting disposal across the country, we are of the view that the outlook of the waste treatment industry in the PRC is optimistic.

As analysed in the paragraphs headed "Business and financial information of the Group", the Group was in a loss-making position for the year ended 31 December 2010 and for the six months ended 30 June 2011. In view of the optimistic outlook of the waste treatment industry in the PRC to which the Target Company is dedicated and the profitable track record of the Target Company as discussed above, it is expected that the Acquisition would improve that financial performance of the Group, and further expand the Group's portfolio in waste treatment and infrastructure businesses. In addition to the Acquisition, It is the intention of the Group to raise additional financial resources at the outset through the Subscription to allow the Company to make timely commitment in suitable business projects relating to waste treatment or environment-friendly energy development, with an aim to capitalise on the growth of the PRC's waste treatment industry thereby enhancing the Group's future growth potential and creating value for Shareholders. As at the Latest Practicable Date, save for the Acquisition, the Company had not identified any other investment opportunity.

The Directors also intend to utilise part of the net proceeds from the Subscription for general working capital of the Company. From our assessment of the Group's financial resources, it is noted that according to the 2011 interim report of the Group as at 30 June 2011, the unaudited current liabilities of the Group amounted to approximately HK\$198.99 million while the unaudited current assets were approximately HK\$267.27 million, of which bank balances and cash accounted for only approximately HK\$80.29 million, already including the net proceeds of approximately HK\$78.8 million from the placing of new Shares completed on 23 May 2011. The net proceeds from the Disposal, when completed, are expected to provide the Group with additional cash of approximately HK\$11.0 million. On the other hand, as noted from the Group's 2011 interim report, the Group had a significant amount of capital expenditure not provided in the financial statements in respect of the construction work under service concession arrangement amounting to approximately HK\$457.5 million as at 30 June 2011. We were further advised by the management of the Company that an additional amount of approximately HK\$184.5 million is expected to be committed in 2012 for the Group's own projects and that additional working capital is expected to be deployed for the business operation of the Target Company. Having considered the expected significant capital expenditure of the Group in conjunction with our assessment of the Group's financial resources

available, as well as the anticipated increasing deployment of working capital of the Group following the Acquisition, we consider it justifiable for the Group to strengthen its working capital base.

In view of (i) the profitable track record of the Target Company; (ii) the optimistic outlook of the waste treatment industry in the PRC; (iii) the additional financial resources made available by the Subscription at the outset for timely commitment in suitable business projects; and (iv) the strengthened working capital base of the Group through the Subscription in order to cater for the capital requirements of the Group as analysed above, we are of the view that the entering into of each of the Subscription Agreement and the Acquisition Agreement is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Subscription Agreement

On 6 December 2011, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Bond in the principal amount of HK\$100,000,000 at an initial conversion price of HK\$0.40 per Conversion Share. Assuming the conversion rights attaching to the Convertible Bond at the initial Conversion Price of HK\$0.40 per Share are exercised in full and none of the outstanding convertible securities and share options are converted or exercised, a total of 250,000,000 Conversion Shares may be issued, representing approximately 16.11% of the number of Shares in issue as at the Latest Practicable Date and approximately 13.87% of the enlarged number of Shares in issue. The Convertible Bond shall not bear any interest. The Maturity Date is 31 December 2014.

The Conversion Price

The Conversion Price of HK\$0.40 per Conversion Share represents:

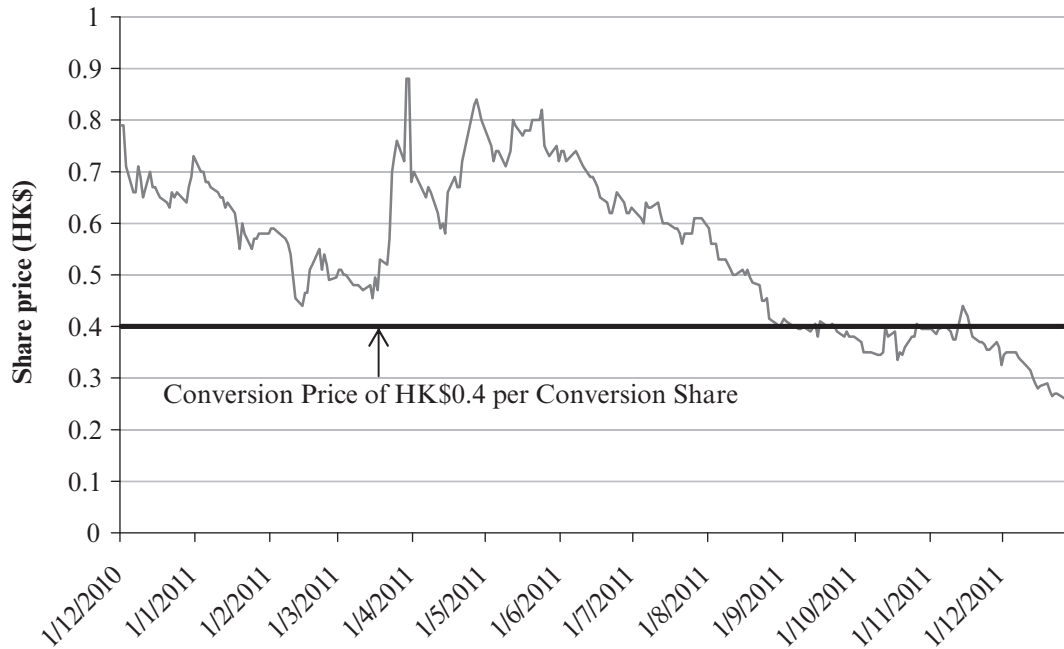
- (i) a premium of approximately 14.29% to the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on 5 December 2011, being the Last Trading Day;
- (ii) a premium of approximately 14.29% to the average of the closing prices of approximately HK\$0.35 per Share for the last five trading days of the Shares up to and including the Last Trading Day; and
- (iii) a premium of approximately 56.86% over the closing price of HK\$0.255 per Share as at the Latest Practicable Date.

The initial Conversion Price of HK\$0.40 per Conversion Share was arrived at after arm's length negotiations between the Company and the Subscriber taking into account the prospects of the Group, the current situation of Hong Kong stock market and the closing price of the Shares on the Last Trading Day.

Share price performance

Chart 1 below shows the daily closing Share price for the period commencing from 1 December 2010 up to and including the Latest Practicable Date, being the 12-month period prior to the Latest Practicable Date (the “Review Period”):

Chart 1: Share price performance versus the Conversion Price during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: Trading in the Shares was suspended on 2 December 2010 and 30 March 2011 during the Review Period.

As illustrated in chart 1 above, although the Conversion Price represents a discount of approximately 25.93% to the average closing price of the Share of approximately HK\$0.54 during the Review Period, we noted that the Share price was on a downward trend in general, in particular the closing price of the Shares was below the Conversion Price most of the days in the past three months preceding the Latest Practicable Date. Therefore, we are of the view that the recent Share price performance better reflects the financial condition of the Group under the current situations of Hong Kong stock market and the setting of the Conversion Price having taken into account the closing price of the Shares on the Last Trading Day is fair and reasonable.

LETTER FROM GOLDIN FINANCIAL

Comparison with other issues of convertible bond or convertible note

In order to assess the fairness and reasonableness of the terms of the Convertible Bond, we have reviewed relevant comparable transactions which are selected based on the following criteria: (i) involving the issue of convertible bond or convertible note; (ii) of companies listed on the Stock Exchange; and (iii) being announced in the past three months immediately preceding the date of the Announcement under similar market condition and sentiment (the “CB Comparables”). We have, to our best effort, identified and made references to, so far as we are aware, 19 CB Comparables which are exhaustive. Although the CB Comparables are engaged in different principal businesses, taking into account that the principal terms of the issuance under the CB Comparables including but not limited to the conversion price, interest rate and maturity are made under the similar market condition and sentiment, we are of the view that the CB Comparables, which are recent issues of convertible bond or convertible note within three months of the Subscription Agreement, are able to reflect the prevailing market condition and therefore each of them represents a fair and representative sample. Independent Shareholders should note that the companies of the CB Comparables are not identical to the Company in terms of principal business, operations and financial position. Nevertheless, we consider that the CB Comparables could provide a general reference for the recent common market practice of companies listed on the Stock Exchange in the issuance of convertible bond or convertible note. Details of our analyses are set out in the following table:

Table 3: Analysis of the CB Comparables

Company name (stock code)	Date of announcement	Premium/ (discount) to share price as at last trading day/date of agreement <i>Approximate</i> %	Interest rate <i>Approximate</i> %	Maturity <i>years</i>
Hilong Holdings Limited (1623)	30 November 2011	67.83	3.50	3
China XLX Fertiliser Ltd. (1866)	28 November 2011	6.34	4.50	5
China Oriental Culture Group Limited (2371)	24 November 2011	(11.30)	0.00	5
CMMB Vision Holdings Ltd (471)	22 November 2011	6.50	0.00	3
New Focus Auto Tech Holdings Limited (360)	18 November 2011	31.18	0.00	4
The United Laboratories International Holdings Limited (3933)	7 November 2011	20.00	7.50	5

LETTER FROM GOLDIN FINANCIAL

Company name (stock code)	Date of announcement	Premium/ (discount) to share price as at last trading day/date of agreement <i>Approximate</i> %	Interest rate <i>Approximate</i> %	Maturity years
Bao Yuan Holdings Limited (692)	2 November 2011	(16.70)	2.00	3
Pacific Plywood Holdings Limited (767)	19 October 2011	(28.21)	2.00	1.5
South China Holdings Limited (265)	19 October 2011	2.40	0.00	5
Amber Energy Limited (90)	18 October 2011	39.80	2.00	5
Tsun Yip Holdings Limited (8356)	11 October 2011	(59.60)	5.00	3
China Nickel Resources Holdings Company Limited (2889)	9 October 2011	40.90	0.00	3
China Environmental Energy Investment Limited (986)	7 October 2011	(22.54)	0.00	1
Asia Orient Holdings Limited (214)	6 October 2011	2.80	6.50	3
Oriental Ginza Holdings Limited (996)	6 October 2011	(13.50)	0.00	5
Rising Development Holdings Limited (1004)	3 October 2011	6.38	5.00	3
China Grand Forestry Green Resources Group Limited (910)	30 September 2011	4.90	0.00	5
REXLot Holdings Limited (555)	22 September 2011	30.00	6.00	5
Beijing Development (Hong Kong) Limited (154)	15 September 2011	1.65	1.00	5
Maximum		67.83	7.50	5.00
Minimum		(59.60)	0.00	1.00
Mean		5.73	2.37	3.82
Median		4.90	2.00	4.00
The Convertible Bond		14.29	0.00	3.00

Source: The website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM GOLDIN FINANCIAL

(a) Conversion Price

As shown in table 3 above, a comparison of the conversion price under the CB Comparables with the respective share closing price as at the last trading day shows a range from a discount of approximately 59.60% to a premium of approximately 67.83%, with a mean of a premium of approximately 5.73% and a median of a premium of approximately 4.90%. The Conversion Price represents a premium of approximately 14.29% over the closing price of the Share on the Last Trading Day, which falls within the range and is above the mean and median of the CB Comparables.

(b) Interest rate

As shown in table 3 above, the interest rate of the CB Comparables ranges from 0% to approximately 7.50%, with a mean of approximately 2.37% and a median of approximately 2.00%. It is noted that the Convertible Bond shall not bear any interest, which is the minimum interest rate among that of the CB Comparables.

(c) Maturity

As shown in table 3 above, the maturity of the CB Comparables ranges from one year to five years, with a mean of approximately 3.82 years and a median of 4 years. It is noted that the maturity of the Convertible Bond of three years is within the range of the CB Comparables, which we consider it to be in line with market practise.

(d) Other terms of the Convertible Bond

We have also reviewed other major terms of the Convertible Bond including, but not limited to, voting rights, status of the Convertible Bond and transferability, and have compared with those of the CB Comparables and are not aware of any terms which are unusual. As such, we consider such major terms are normal commercial terms, fair and reasonable and in the interests to the Independent Shareholders and the Company as a whole.

In view of the above, we are of the view that the terms of the Subscription Agreement including, but not limited to, the Conversion Price, the interest rate and the maturity of the Convertible Bond, are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Other alternatives

As advised by the Directors, the Company has considered other alternative financing methods including debt financing and equity financing to raise fund for the Group. For debt financing, the Director considered that the Group would not be able to obtain an interest rate more favourable than that of the Convertible Bond from independent third parties, taking into account that the Convertible Bond is non-interest bearing and the current best lending rate is 5% for commercial loan in Hong Kong (*source: www.hsbc.com.hk*). The Company has explored the possibility of equity financing, but after the negotiation with certain securities firms, the feedback from the market was not favourable in terms of both pricing and size. Therefore, the Directors considered that equity financing including rights issue and open offer in the current market sentiment is not in the interest of the Company. In view of the above and having considered the existing financial condition of the Group and the current market condition, we concur with the Directors' view that the entering into of the Subscription Agreement for the purpose of issue of Convertible Bond is more desirable than other financing methods to raise fund for the Group.

Dilution effect of the Conversion Shares

As at the Latest Practicable Date, there were approximately 1,551,881,039 Shares in issue. If the Convertible Bond is fully converted at the initial conversion price of HK\$0.40 each, a maximum of 250,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bond in full, which represents: (i) approximately 16.11% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.87% of the issued share capital of the Company as enlarged by the issue of the 250,000,000 Conversion Shares, assuming none of the outstanding convertible securities and share options are converted or exercised. In this connection, the shareholding of the existing public Shareholders in the Company will be reduced from approximately 38.99% to approximately 33.58% immediately after the full conversion of the Convertible Bond, assuming none of the outstanding convertible securities and share options are converted or exercised.

LETTER FROM GOLDIN FINANCIAL

Having considered (i) the constraints and uncertainty of obtaining alternative financing as mentioned in the paragraph headed “Other alternatives” above; (ii) that the Conversion Price of HK\$0.40 represents a premium of approximately 14.29% over the Share price of HK\$0.35 on the Last Trading Day and reflects the financial condition of the Group under the current situations of Hong Kong stock market; and (iii) the capital requirements of the Group having taken into account the financial resources available to the Group as analysed in the section headed “Reasons for, and benefits of, entering into the Subscription Agreement and the Acquisition Agreement” above, we are of the view that the potential dilution on the shareholding interests of the Independent Shareholders in the event that the Conversion Shares are issued is acceptable.

4. Principal terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Equity, representing 100% equity interest in the Target Company at the Consideration of RMB51.0 million (equivalent to approximately HK\$62.4 million) which shall be satisfied by cash. The Consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor and was determined after taking into consideration the audited net asset value of the Target Company as at 30 June 2011 and the future prospects of the Target Company.

In assessing the fairness and reasonableness of the Consideration, we have attempted to perform a price-to-earning multiple (the “P/E Ratio”) analysis, which is one of the most widely used and accepted methods for valuing a business with recurrent income. However, since the Target Company was only established on 15 September 2010 and did not record full year results as at the Latest Practicable Date, we consider that it is not feasible to assess the Consideration based on the P/E Ratio.

Alternatively, we have adopted the price-to-book multiple (the “P/B Ratio”) for our analysis, which is also one of the commonly adopted trading multiples for analyses. To perform the P/B Ratio analysis, we have identified companies from the database of Bloomberg (www.bloomberg.com) which meet the following criteria: (i) being listed on the Main Board of the Stock Exchange; (ii) being profit-making according to the respective latest audited financial statements; and (iii) being principally engaged in the sector of waste disposal and management services in the PRC which is similar to the principal business of the Target Company. We have, to our best effort, identified and made references to, so far as we are aware, an exhaustive list of 5 companies (the “Comparable Companies”) which meet the aforesaid criteria and each of them represents a fair and representative sample. Independent Shareholders should note that the Comparable Companies are not identical to the Company in terms of market capitalisation. Nevertheless, we consider the P/B Ratios of the Comparable Companies which are selected in accordance with the aforesaid criteria could reflect the market valuation of profit-making company engaged in the sector of waste disposal

LETTER FROM GOLDIN FINANCIAL

and management services in the PRC which is similar to that of the Target Company and could provide a general reference when assessing the fairness of the Consideration. Details of our analyses are set out in the following table:

Table 4: Analysis of the Comparable Companies

Company name (stock code)	Market capitalisation (1) <i>approximate</i> <i>(HK\$' million)</i> <i>(Note 1)</i>	Net asset value (2) <i>approximate</i> <i>(HK\$' million)</i> <i>(Notes 2 & 3)</i>	P/B Ratio (3) = (1)/(2) <i>approximate</i> <i>(times)</i>
Chiho-Tiande Group Limited (976)	4,365.37	1,646.68	2.65
China Everbright International Limited (257)	11,357.18	5,748.65	1.98
China Metal Recycling (Holdings) Limited (773)	10,162.35	4,628.14	2.20
Dongjiang Environmental Company Limited (895)	889.5	1,023.37	0.87
Pearl Oriental Innovation Limited (632)	2,351.70	2,650.45	0.89
Maximum			2.65
Minimum			0.87
Mean			1.72
Median			1.98
The Acquisition			1.49

*Source: The website of the Stock Exchange (www.hkex.com.hk)
Bloomberg (www.bloomberg.com)*

Notes:

- (1) Based on the closing price on the Last Trading Day.
- (2) Based on the latest audited financial data as published in the respective annual report available as at the Latest Practicable Date.
- (3) Amount denominated in RMB has been converted into HK\$ using the exchange rate of RMB1.00 to HK\$1.22, being the exchange rate on 28 December 2011 (*source: www.oanda.com*).

LETTER FROM GOLDIN FINANCIAL

As illustrated in the table above, based on the relevant latest published annual reports/interim reports of the Comparable Companies as at the Latest Practicable Date, the Comparable Companies are trading at P/B Ratios ranging from approximately 0.87 times to approximately 2.65 times, with a mean and a median of approximately 1.72 times and approximately 1.98 times respectively. The P/B Ratio of approximately 1.49 implied by the Consideration falls within the range of the P/B Ratios of the Comparable Companies and is below both the mean and median of the P/B Ratios of the Comparable Companies. Based on the above P/B Ratio analysis, we are of the view that the Consideration is fair and reasonable.

In view of the above, we are of the view that the terms of the Acquisition Agreement, including the Consideration, are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

FINANCIAL IMPACTS OF THE SUBSCRIPTION AGREEMENT AND THE ACQUISITION AGREEMENT

Financial impacts of the Subscription Agreement

(a) Net asset value

With reference to the Group's 2011 interim report, the unaudited consolidated net assets of the Group as at 30 June 2011 were approximately HK\$171.24 million. As confirmed by the Directors, the Convertible Bond to be issued by the Company will be accounted for in two components, being the liability component and embedded derivatives, in the Company's balance sheet, on initial recognition. The liability component and embedded derivatives of the Convertible Bond will be included in the total liabilities of the Group; whereas the total assets of the Group will be increased by the net proceeds from the Subscription. It is expected that there would be no material change in the net asset value of the Group immediate upon completion of the Subscription.

(b) Gearing ratio

As at 30 June 2011, the Group's gearing level (being calculated as total borrowings over equity attributable to equity holders of the Company) was approximately 2.54 times. Due to the fact that the issue of the Convertible Bond would lead to a concurrent increase in the total borrowings as well as the net assets of the Group (the level of which would be subject to the final audit), the effect of the Subscription on the gearing position of the Group would be undetermined at present. Nevertheless, the Directors expected that the Convertible Bond, upon conversion, would improve the Group's gearing position.

(c) Liquidity

As advised by the Directors, immediately upon completion of the Subscription, the working capital of the Group would be increased by the amount of the net proceeds from the Subscription.

LETTER FROM GOLDIN FINANCIAL

(d) Earnings

As advised by the management of the Company, although the Convertible Bond is interest free, Independent Shareholders should note that the Group will record in its profit and loss account the imputed interest expense arising from the debt portion of the Convertible Bond. Considering the benefits to be brought to the Group by entering into the Subscription Agreement as discussed under the section headed “Reasons for, and benefits of, entering into the Subscription Agreement and the Acquisition Agreement” above, we are of the view that the imputed interests would have no material impact on the Group’s earnings.

Financial impacts of the Acquisition Agreement

(a) Net assets value

According to the Group’s 2011 interim report, the unaudited consolidated net assets of the Group as at 30 June 2011 were approximately HK\$171.24 million. As the audited net assets of the Target Company as at 30 June 2011 were approximately HK\$42.0 million and the Target Company will be consolidated into the Group’s financial statements upon completion of the Acquisition, it is expected that the Group’s net assets would increase as a result.

(b) Earnings

Referring to the Group’s 2011 interim report, the unaudited loss attributable the owners of the Company for the six months ended 30 June 2011 was approximately HK\$180.39 million. As the audited net profit after taxation of the Target Company for the six months ended 30 June 2011 was approximately HK\$2.62 million, it is expected that the loss attributable to owners of the Company will narrow down upon completion of the Acquisition.

(c) Gearing ratio

As the consideration of the Acquisition will be settled by cash, it is expected that there would be no material change in the gearing ratio of the Group upon completion of the Acquisition.

(d) Liquidity

As the consideration of the Acquisition will be settled by cash, there would be a cash outflow of approximately HK\$62.4 million. It is expected that the liquidity of the Group would decrease upon completion of the Acquisition.

Independent Shareholders should be noted that the abovementioned financial analyses are for illustrative purpose only and do not represent what the financial position of the Group will be upon completion of each of the Subscription and the Acquisition.

LETTER FROM GOLDIN FINANCIAL

RECOMMENDATIONS

Having considered the above, we are of the view that the Subscription and the Acquisition are not conducted in the ordinary and usual course of business of the Company but the terms of the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and that the entering into of the Subscription Agreement and the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director

* *for identification purpose only*

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the 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 therein or this circular misleading.

DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had, or was deemed to have, any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange:

(A) Long position in the Shares

Name of director	Nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Marcello Appella	Interest of a controlled corporation (<i>Note</i>)	3,588,030	0.23%

Note: These Shares are held by Sycomore Limited (“Sycomore”), which is owned as to 50% by Mr. Marcello Appella and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella is deemed or taken to have interest in the Shares held by Sycomore for the purposes of the SFO.

(B) Long position in share options of the Company

Name of director	Nature of interest	Number of underlying ordinary shares in respect of options granted	Approximate percentage of issued share capital of the Company
Mr. Marcello Appella	Beneficial owner	201,532	0.01%

DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

Saved as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no other person (not being a Director or chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, 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 or had an option in respect of such capital:

Long position in ordinary shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital of the Company
Beijing Capital (Hong Kong) Limited (Note 1)	Beneficial owner	299,022,000	19.27%
Simple Success Investments Limited (Note 2)	Beneficial owner	270,760,000	17.45%

Notes:

1. These Shares are held by Beijing Capital (Hong Kong) Limited which is a wholly-owned subsidiary of Beijing Capital Co., Ltd.. Mr. Yu Chang Jian, Mr. Liu Xiao Guang and Mr. Cao Guo Xian, executive Directors of the Company, are the directors of Beijing Capital (Hong Kong) Limited. Mr. Yu Chang Jian is the director and the general manager of Beijing Capital Co., Ltd.. Mr. Liu Xiao Guang is the chairman of the board of directors of Beijing Capital Co., Ltd..
2. These Shares represent 270,760,000 Shares held by Simple Success Investments Limited, which is a wholly-owned subsidiary of New World Strategic Investment Limited, which is in turn wholly-owned by New World Development Company Limited. Cheng Yu Tung Family (Holdings) Limited

and Cheng Yu Tung Family (Holdings II) Limited hold 49% and 40.2% interests in Chow Tai Fook Capital Limited, respectively. Chow Tai Fook Capital Limited in turn owns 74.1% interest in Chow Tai Fook (Holding) Limited which holds the entire interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Liu Xiao Guang, Mr. Cao Guo Xian and Mr. Tang Zhi Bin has not yet entered into any service contract with the Company, except that each of Mr. Yu Chang Jian and Mr. Marcello Appella has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company and is appointed for a period of three years.

The alternative non-executive Director has been appointed by one of the non-executive Directors, Mr. Lim Jui Kian, and will continue thereafter until terminated by Mr. Lim Jui Kian or upon the termination of Mr. Lim Jui Kian's appointment with the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contracts with any member of the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

COMPETING INTERESTS

As at the Latest Practicable Date, the Directors confirm that none of them and their respective associates have any interests in a business apart from the Group's business which directly competes with and will have material adverse impact on the Group.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contracts or arrangement subsisting as at the Latest Practicable Date and significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2010, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to any member of the Group, or proposed to be acquired or disposed of by, or leased to, any member of the Group.

EXPERT AND CONSENT

The following is the qualifications of the expert, who has given opinions contained in and referred to in this circular:

Name	Qualifications
Goldin Financial	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Goldin Financial had no shareholding, directly or indirectly, 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.

Goldin Financial has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

Goldin Financial has no direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

The letter from Goldin Financial is given as of the date of this circular for incorporation herein.

MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

MISCELLANEOUS

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business in Hong Kong is Unit 1613-1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (c) Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at Unit 1613-1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Subscription Agreement (including the certificate and the terms and conditions of the Convertible Bond);
- (b) the Acquisition Agreement;
- (c) the letter from the Independent Board Committee as set out in this circular;
- (d) the letter from Goldin Financial as set out in this circular;
- (e) the written consent of Goldin Financial; and
- (f) the service contracts referred to in the paragraph headed “Directors’ service contracts” in this appendix.



NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

新環保能源控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**Meeting**”) of New Environmental Energy Holdings Limited (the “**Company**”) will be held at The Focal Point, Level 10, World-Wide House, 19 Des Voeux Road Central, Hong Kong on Thursday, 19 January 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT:

- (a) the subscription agreement dated 6 December 2011 (the “**Subscription Agreement**”) entered into between the Company and Beijing Capital (Hong Kong) Limited (the “**Subscriber**”) in relation to the Company’s issue of a convertible bond (the “**Convertible Bond**”) in the principal amount of HK\$100,000,000 (a copy of which is marked “A” and has been produced to the Meeting and signed by the chairman of the Meeting for identification purpose) be and is hereby approved, ratified and confirmed, that all transactions contemplated thereunder including but not limited to the issue of the Convertible Bond by the Company to the Subscriber in such form and substance as attached in the schedule to the Subscription Agreement be and are hereby approved, ratified and confirmed, and that the directors of the Company (“**Directors**”) be and are hereby authorised to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any Director) and to take such steps as the Directors consider necessary, appropriate, desirable or expedient for the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder, and to agree to such variation, amendment, supplement or waiver of matters relating thereto as is, in the opinion of the Directors, in the interest of the Company and the shareholders of the Company as a whole;
- (b) subject to and conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares of HK\$0.1 each (the “**Shares**”) in the share capital of the

NOTICE OF EGM

Company to be allotted and issued upon the conversion of the Convertible Bond, the Directors be and are hereby authorised to allot and issue an aggregate of up to approximately 250,000,000 new Shares (the “**Conversion Shares**”) in the authorised share capital of the Company at HK\$0.40 per Conversion Share and credited as fully paid upon conversion of the Convertible Bond, that the Conversion Shares shall, when allotted and issued, rank pari passu in all respects with all other Shares in issue on the date of such allotment and issue, and that the Directors be and are hereby authorised to do such acts and things and to sign and execute all such further documents (in case of execution of documents under seal, to do so by any Director) and to take such steps as the Directors consider necessary, desirable or expedient in connection with the allotment and issue of the Conversion Shares;

- (c) the Acquisition Agreement dated 6 December 2011 (the “**Acquisition Agreement**”) entered into between 株洲首創水務有限責任公司 (Zhuzhou Beijing Capital Water Treatment Company Limited*)(the “**Vendor**”) and 揚州百瑪士環保產業發展有限公司 (Yangzhou Biomax Environmental Development Limited*) (the “**Purchaser**”) in relation to the sale of 100% equity interest in 醴陵首創垃圾綜合處理有限責任公司 (Liling Beijing Capital Waste Treatment Company Limited*) (the “**Target Company**”) at a consideration of RMB51.0 million (equivalent to approximately HK\$62.4 million) in cash (a copy of which is marked “B” and has been produced to the Meeting and signed by the chairman of the Meeting for identification purpose) be and is hereby approved, ratified and confirmed, that all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed, and that the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any Director) and to take such steps as the Directors consider necessary, appropriate, desirable or expedient for the implementation of, giving effect to or in connection with the Acquisition Agreement and the transactions contemplated thereunder, and to agree to such variation, amendment, supplement or waiver of matters relating thereto as is, in the opinion of the Directors, in the interest of the Company and the shareholders of the Company as a whole;
- (d) conditional upon the passing of resolutions (a) and (b) above and the completion of the Subscription Agreement, the authorised share capital of the Company be and is hereby increased from HK\$200,000,000 divided into 2,000,000,000 Shares of par value of HK\$0.1 each to HK\$600,000,000 divided into 6,000,000,000 Shares by the creation of 4,000,000,000 new Shares in the capital of the Company, and that the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such further documents (in case of execution of documents under seal, to do so by any Director) and to take such steps as the Directors consider necessary, appropriate, desirable or expedient for the implementation of, giving effect to or in connection with such increase in the authorised share capital of the Company; and

NOTICE OF EGM

- (e) conditional upon the passing of resolutions (a) and (b) above and the completion of the Subscription Agreement, the Directors be and are hereby granted a Specific Mandate to exercise the powers of the Company to allot, issue and deal with the Conversion Shares upon exercise of the conversion rights under the Convertible Bond.”

By order of the Board
New Environmental Energy Holdings Limited
Yu Chang Jian
Chairman

Hong Kong, 31 December 2011

* *For identification purpose only*

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or, where that member holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.
2. Proxy form for use at the Meeting is enclosed herewith.
3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding of the Meeting or any adjournment thereof. Completion and return of the proxy will not preclude any member from attending and voting in person at the Meeting or any adjournment thereof if you so desire and, in such event, the instrument appointing such a proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any ordinary share of the Company, any one of such joint holders may vote at any Meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any Meeting in person or by proxy, the one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall be accepted to the exclusion of the votes of the other joint holders, and such person alone be entitled to vote in respect of the joint holding thereof.
5. Votes on the ordinary resolutions set out herein and are to be passed at the Meeting will be taken by way of poll.