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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED**

**新環保能源控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3989)**

**(1) CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLEMENTARY  
LOAN AGREEMENTS AND THE SHARE CHARGE AGREEMENT,  
(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial adviser to the Company**



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



**Grand Vinco Capital Limited**

*Wholly-owned subsidiary of Vinco Financial Group Limited*

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A letter from the Independent Board Committee (as defined in this circular) is set out on pages 16 to 17 of this circular. A letter from Vinco Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders (as defined in this circular), is set out on pages 18 to 35 of this circular.

A notice convening the EGM (as defined in this circular) to be held at 11:00 a.m. on Monday, 31 December 2012, at Unit 1613-1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong is set out on pages 40 to 42 of this circular. A form of proxy for the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, 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 holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“AGM”	the annual general meeting of the Company held on 1 June 2012 in which the Shareholders had approved the Existing General Mandate
“Announcement”	the announcement made by the Company on 16 November 2012 in relation to the Connected Transactions
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Beijing Capital”	Beijing Capital Co., Ltd, a company incorporated in the PRC with limited liabilities, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600008)
“Beijing Capital HK”	Beijing Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liabilities, which is a substantial Shareholder holding as to approximately 16.06% of the issued share capital of the Company and directly wholly-owned by Beijing Capital as at the Latest Practicable Date
“Board”	the board of the Directors
“Business Day(s)”	a day(s), other than a Saturday, Sunday and public holidays, on which licensed banks in Hong Kong are open for business
“Charge Period”	being the period commencing from the date on which the Share Charge Agreement is registered with the relevant PRC authorities to the expiry date of the relevant Supplementary Loan Agreements or the date on which Yangzhou Biomax (as the borrower) fulfills all its obligations under the Existing Loan Agreements and the Supplementary Loan Agreements (whichever is shorter) as provided under the Share Charge Agreement
“Company”	New Environmental Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 3989)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Connected Transactions”	the entering into of the Supplementary Loan Agreements between Yangzhou Biomax and Beijing Capital on 16 November 2012 and the entering into of the Share Charge Agreement between Shanghai Environmental Biomax and Beijing Capital on 16 November 2012

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## DEFINITIONS

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“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held on 31 December 2012 to consider, and if thought fit, pass the ordinary resolutions to approve the refreshment of the Existing General Mandate, the Supplementary Loan Agreements and the Share Charge Agreement and the respective transactions contemplated thereunder
“Existing General Mandate”	the general mandate granted to the Directors by resolution of the Shareholders passed at the AGM to exercise the power of the Company to allot, issue and otherwise deal with new Shares not exceeding 20% of the then issued share capital of the Company as at the date of the AGM
“Existing Loan Agreement I”	the loan agreement (as supplemented on the same date) dated 20 February 2012 entered into between Beijing Capital (as lender) and Yangzhou Biomax (as borrower) in relation to provision of an unsecured loan with a principal amount of RMB40 million
“Existing Loan Agreement II”	the loan agreement (as supplemented on the same date) dated 20 August 2012 entered into between Beijing Capital (as lender) and Yangzhou Biomax (as borrower) in relation to provision of an unsecured loan with a principal amount of RMB40 million
“Existing Loan Agreement III”	the loan agreement (as supplemented on the same date) dated 20 August 2012 entered into between Beijing Capital (as lender) and Yangzhou Biomax (as borrower) in relation to provision of an unsecured loan with a principal amount of RMB21 million
“Existing Loan Agreements”	refers to the Existing Loan Agreement I, the Existing Loan Agreement II and the Existing Loan Agreement III, collectively
“Group”	the Company and its subsidiaries (as defined in the Listing Rules) from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders as to the fairness and reasonableness of (i) the grant of the Issue Mandate; and (ii) the Connected Transactions
“Independent Shareholder(s)”	Shareholder(s) other than Beijing Capital HK and its associates (in terms of the Connected Transactions) or Shareholder(s) other than Mr. Marcello Appella and its associates (in terms of the grant of the Issue Mandate)

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## DEFINITIONS

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“Issue Mandate”	the general mandate proposed to be granted to the Directors at the EGM to exercise the power of the Company to allot, issue and otherwise deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the passing of the relevant resolution
“Latest Practicable Date”	10 December 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the loans granted to Yangzhou Biomax by Beijing Capital in an aggregate principal amount of RMB101 million under the Existing Loan Agreements and the Supplementary Loan Agreements
“Nanchang Biomax”	Nanchang Biomax Green Energy Park Company Limited* (南昌百瑪士綠色能源有限公司), a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“PBOC Rate”	the standard lending rate for the same period published by the People’s Bank of China from time to time
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Environmental Biomax”	Shanghai Environmental Biomax Investment Limited* (上海環境百瑪士投資有限公司), an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Share Charge Agreement”	the share charge agreement entered into by Beijing Capital (as chargee) and Shanghai Environmental Biomax (as charger) dated 16 November 2012 by way of a first legal charge of the rights to and interests in the entire equity interest of Nanchang Biomax beneficially owned by Shanghai Environmental Biomax over the Charge Period in favour of Beijing Capital
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplementary Loan Agreements”	the three loan agreements dated 16 November 2012 entered into between Yangzhou Biomax (as borrower) and Beijing Capital (as lender) as supplemented to the Existing Loan Agreements in relation to provision of the Loans
“Vinco Capital” or “Independent Financial Adviser”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code:8340), a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Existing General Mandate and the Connected Transactions
“Yangzhou Biomax”	Yangzhou Biomax Environmental Development Limited* (揚州百瑪士環保產業發展有限公司), an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

\* *For identification purposes only*



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

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 3989)**

*Executive Directors:*

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

*Non-executive Director:*

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

*Independent non-executive Directors:*

Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen  
Mr. Li Baochun  
Ms. Chan Yee Wah, Eva

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 26  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of  
business in Hong Kong:*

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

12 December 2012

*To the Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLEMENTARY  
LOAN AGREEMENTS AND THE SHARE CHARGE AGREEMENT  
AND  
(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES**

**INTRODUCTION**

At the forthcoming EGM to be held on 31 December 2012, the following resolutions will be proposed among other things:

- to approve the Supplementary Loan Agreements, the Share Charge Agreement and the respective transactions contemplated thereunder; and

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## LETTER FROM THE BOARD

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- to grant to the Directors a general mandate to allot, issue and otherwise deal with new Shares and to make or grant offers, agreements, options and warrants not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of such resolution.

The purpose of this circular is to provide you information relating to (i) further details of the Connected Transactions; (ii) the refreshment of the Existing General Mandate to issue, allot and otherwise deal with new Shares; and (iii) the recommendation from the Independent Board Committee and the recommendation from Vinco Capital to the Independent Board Committee and the Independent Shareholders with regards to the grant of the Issue Mandate and the Connected Transactions, and to give you the notice of the EGM.

### I CONNECTED TRANSACTIONS

#### Existing Loan Agreements

On 20 February 2012, Yangzhou Biomax (as borrower and an indirect wholly-owned subsidiary of the Company) and Beijing Capital (as lender and sole shareholder of Beijing Capital HK which in turn is a substantial Shareholder holding as to approximately 16.06% of the issued share capital of the Company) entered into the Existing Loan Agreement I for an unsecured loan with a principal amount of RMB40 million. Yangzhou Biomax made draw down of the full principal amount of RMB40 million under the Existing Loan Agreement I on 20 February 2012.

On 20 August 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into the Existing Loan Agreement II for an unsecured loan of RMB40 million. Yangzhou Biomax made draw down of RMB20 million on 15 October 2012 and made further draw down of RMB16 million on 19 November 2012 under the Existing Loan Agreement II.

On 20 August 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into the Existing Loan Agreement III for an unsecured loan of RMB21 million. Yangzhou Biomax made draw down of the full principal amount of RMB21 million under the Existing Loan Agreement III on 24 August 2012.

Major terms of the Existing Loan Agreements are set out below.

#### *(I) Existing Loan Agreement I*

Date	:	20 February 2012
Parties	:	Yangzhou Biomax (as borrower); and Beijing Capital (as lender)
Principal amount	:	RMB40 million

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## LETTER FROM THE BOARD

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Term : 10 months from 20 February 2012 to 19 December 2012

Interest rate : a fixed rate of the prevailing PBOC Rate multiplied by 1.1 (i.e. 7.216% per annum)

Repayment : Yangzhou Biomax may prepay the outstanding loans (together with all accrued interest thereon) in whole or in part to Beijing Capital with the prior consent of Beijing Capital

Use of proceeds : exclusively for working capital of Yangzhou Biomax

*(II) Existing Loan Agreement II*

Date : 20 August 2012

Parties : Yangzhou Biomax (as borrower); and Beijing Capital (as lender)

Principal amount : RMB40 million

Term : 12 months from 20 August 2012 to 19 August 2013

Interest rate : a fixed rate of the prevailing PBOC Rate multiplied by 1.15 (i.e. 6.9% per annum)

Repayment : Yangzhou Biomax may prepay the outstanding loans (together with all accrued interest thereon) in whole or in part to Beijing Capital with the prior consent of Beijing Capital

Use of proceeds : exclusively for acquisition of a waste treatment project located in Du Yun city, Guizhou province, the PRC by Yangzhou Biomax

*(III) Existing Loan Agreement III*

Date : 20 August 2012

Parties : Yangzhou Biomax (as borrower); and Beijing Capital (as lender)

Principal amount : RMB21 million

Term : 12 months from 20 August 2012 to 19 August 2013

Interest rate : a fixed rate of the prevailing PBOC Rate multiplied by 1.15 (i.e. 6.9% per annum)

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## LETTER FROM THE BOARD

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- Repayment : Yangzhou Biomax may prepay the outstanding loans (together with all accrued interest thereon) in whole or in part to Beijing Capital with the prior consent of Beijing Capital
- Use of proceeds : exclusively for acquisition of a waste treatment project located in Weng An city, Guizhou province, the PRC by Yangzhou Biomax

The interest rates under the Existing Loan Agreements were determined after arm's length negotiation between Yangzhou Biomax and Beijing Capital with reference to the prevailing interest rates quoted by the commercial banks in the PRC and the financial position of Yangzhou Biomax.

As at the Latest Practicable Date, Yangzhou Biomax is indebted to Beijing Capital in aggregate of approximately RMB100 million under the Existing Loan Agreements, which includes the principal amount of RMB97 million and the accrued interest of approximately RMB3 million.

### **Supplementary Loan Agreements**

On 16 November 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into the Supplementary Loan Agreements to amend the Existing Loan Agreements to the effect that:

- (i) the respective term of the Existing Loan Agreements shall be extended for another 24 months effective from the date on which the approval of the Independent Shareholders on the Supplementary Loan Agreements and the transactions contemplated thereunder is obtained at the EGM; and
- (ii) the Loans under the Existing Loan Agreements shall be secured by the charge under the Share Charge Agreement.

Principal terms of the Share Charge Agreement are set out in the section headed "Principal Terms of the Share Charge Agreement" below. All the other terms of the Existing Loan Agreements, including among others the interest rate and the repayment, remain the same and effective under the Supplementary Loan Agreements.

### **Principal Terms of the Share Charge Agreement**

On 16 November 2012, Beijing Capital (as chargee) and Shanghai Environmental Biomax (as charger and an indirect wholly-owned subsidiary of the Company) entered into the Share Charge Agreement.

The Share Charge Agreement shall be conditional upon obtaining the approval of the Independent Shareholders on the Share Charge Agreement and the transactions contemplated thereunder at the EGM.

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## LETTER FROM THE BOARD

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Under the Share Charge Agreement, Shanghai Environmental Biomax shall charge all its beneficially owned rights to and interests in the entire equity interest of Nanchang Biomax in favour of Beijing Capital over the Charge Period so as to provide guarantee for fulfillment of the obligations of Yangzhou Biomax under the Supplementary Loan Agreements. No consideration was receivable by Shanghai Environmental Biomax for the provision of the share charge under the Share Charge Agreement.

Shanghai Environmental Biomax, an indirect wholly-owned subsidiary of the Company, is principally engaged in provision of technical services. Nanchang Biomax is a wholly-owned subsidiary of Shanghai Environmental Biomax and is principally engaged in producing and operating of factories for municipal solid waste treatment.

The unaudited net assets value of Nanchang Biomax amounted to approximately RMB185.8 million as at 30 September 2012 as extracted from the management accounts of Nanchang Biomax for the nine months ended 30 September 2012.

### **Reasons for and Benefits of the Supplementary Loan Agreements and the Existing Loan Agreements and the Share Charge Agreement**

As at the Latest Practicable Date, the Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Yangzhou Biomax is an indirect wholly-owned subsidiary of the Company, and together with its subsidiaries, is principally engaged in provision of technical services.

Beijing Capital is principally engaged in investments, operation and management of infrastructure, development of the water market and sewage disposal in the PRC. Beijing Capital HK, as a wholly-owned subsidiary of Beijing Capital, is principally engaged in overseas capital operations, investment and financing, environmental industry value chain and international business operation.

Yangzhou Biomax has funding needs for acquisitions and development of the two waste treatment projects in each of Du Yun city and Weng An city in the PRC and general working capital. However, Yangzhou Biomax had difficulty in obtaining loans from independent commercial banks in the PRC given its financial condition and the foreign exchange control policies promulgated by the relevant PRC authorities made it difficult for the Company to remit the funds raised by the Company in the Hong Kong equity market to its PRC subsidiaries. In particular, 《關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》(translated as “Circular on the Relevant Business Operations Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign Funded Enterprises”) issued by the General Affairs Department of the State Administration of Foreign Exchange of the PRC effective from 29 August 2008 (as supplemented by a supplementary circular effective from 1 August 2011, collectively the “SAFE Circular”) provides that, among others, RMB funds obtained from foreign exchange capital settlement of a foreign-funded enterprise (“FFE(s)”) shall be used within its business scope approved by

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## LETTER FROM THE BOARD

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relevant governing authorities, and unless otherwise specified, are not allowed to be used for domestic equity investment. As the acquisitions of the two waste treatment projects by Yangzhou Biomax were conducted by way of acquisitions of the equity interests in the two PRC entities (details of which are set out in the announcement of the Company dated 24 August 2012), the required funds for the aforesaid acquisitions cannot be satisfied by way of using the funds remitted by the Company to Yangzhou Biomax. Given the above together with the fact that the quotations provided by those banks were less favourable than those of the Existing Loan Agreements, the Supplementary Loan Agreements and the Share Charge Agreement (as elaborated below), Yangzhou Biomax entered into the Existing Loan Agreements and the Supplementary Loan Agreements and the Share Charge Agreement to obtain the funds in a quick way so as to grasp the investment opportunities.

The charge under the Share Charge Agreement was requested by Beijing Capital when Yangzhou Biomax came into discussion with Beijing Capital for extension of the respective repayment term of the Loans and provided by Shanghai Environmental Biomax as guarantee to enable Yangzhou Biomax to obtain the Loans to support the acquisitions of the two waste treatment projects and its working capital. The Company had obtained loan quotations from several independent commercial banks in the PRC and noted that the terms provided by those banks were less favorable than those of the Existing Loan Agreements and also the Supplementary Loan Agreements and the Share Charge Agreement. In particular, those PRC banks usually charged a higher interest rate (that is the PBOC Rate multiplied by 1.15 or above) and offered a shorter loan period (that is three to six months). In the meantime, those banks requested for asset pledge and shareholders' guarantee as well. As those loan quotations were obtained at the preliminary stage of negotiations with those banks, details of asset pledge and shareholders' guarantee were not yet specified. However, to the best knowledge of the Directors, only tangible assets would be acceptable and share charge would not be acceptable to those banks for asset pledge.

Given the above, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the Independent Financial Adviser) consider that the entering into of the Supplementary Loan Agreements and the Existing Loan Agreements and the Share Charge Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Supplementary Loan Agreements and the Existing Loan Agreements and the Share Charge Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Listing Rules Implications**

As at the Latest Practicable Date, Beijing Capital HK is a substantial Shareholder holding as to approximately 16.06% of the issued share capital of the Company and also directly wholly owned by Beijing Capital. Beijing Capital, as an associate of Beijing Capital HK, is a connected person of the Company under the Listing Rules. And thus, the provision of financial assistance by Beijing Capital to Yangzhou Biomax as contemplated under the Supplementary Loan Agreements constitute connected

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## LETTER FROM THE BOARD

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transactions of the Company under Rule 14A.13(2)(b)(i) of the Listing Rules and the share charge provided by Shanghai Environmental Biomax in favour of Beijing Capital as contemplated under the Share Charge Agreement constitutes a connected transaction of the Company under Rule 14A.13(4) of the Listing Rules.

As the total consideration under the Supplementary Loan Agreements, when aggregated with the Existing Loan Agreements, exceeds HK\$10 million, the Supplementary Loan Agreements and the transactions contemplated thereunder are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

As certain applicable percentage ratios relating to the Share Charge Agreement are more than 25%, the Share Charge Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

Beijing Capital HK and its associates, holding an aggregate of 308,306,000 Shares (representing approximately 16.56% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting at the EGM in respect of the resolution approving the Supplementary Loan Agreements, the Share Charge Agreement and the respective transactions contemplated thereunder.

## II REFRESHMENT OF THE EXISTING GENERAL MANDATE

### Existing General Mandate and the refreshment

At the AGM, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to issue, allot and deal with up to 310,376,207 Shares, which is equivalent to 20% of the then issued share capital of the Company.

As announced by the Company on 14 August 2012 and 31 October 2012, 127,244,000 and 183,132,000 new Shares had been issued under the Existing General Mandate, respectively, representing approximately 41% and 59% of the Existing General Mandate, respectively. Consequentially, as at the Latest Practicable Date, the Directors may issue, allot and deal with up to 207 Shares under the Existing General Mandate, representing approximately less than 0.1% of the Shares in issue as at the Latest Practicable Date.

In order to provide a flexible means for the Company to raise further funds through the issue of new Shares for its future business development, the Board proposes to refresh the Existing General Mandate to allow the Directors to allot, issue and otherwise deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

As the proposed refreshment of the Existing General Mandate is being made prior to the Company's next annual general meeting, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate shall be subject to the

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## LETTER FROM THE BOARD

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Independent Shareholders' approval by way of poll at the EGM, where any controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Issue Mandate. As at the Latest Practicable Date, there is no controlling Shareholder as defined in the Listing Rules. As such, Mr. Marcello Appella, an executive Director, and his associates, with an interest of 3,588,030 Shares, representing approximately 0.19% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting for the resolution in relation to the proposed refreshment of the Existing General Mandate to be proposed at the EGM in accordance with Rule 13.36(4) of the Listing Rules.

Based on the 1,862,257,039 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, subject to the passing of the relevant ordinary resolution to approve the Issue Mandate at the EGM, the Directors will be authorized to allot, issue and otherwise deal with up to a limit of 372,451,407 Shares under the Issue Mandate.

The Directors consider that it is important for the Company to be able to raise fund quickly in order to seize investment opportunities that may arise. To this end, the Directors consider that the refreshment of the Existing General Mandate would allow the Company more flexibility in raising fund by issuing equity and, as a result of the Group's financial position being enhanced after the Issue Mandate being utilised, by debt financing, and expanding and developing the business of the Company and thus is in the interests of the Company and the Shareholders as a whole.

### **Equity fund raising activities in the past twelve months**

The Company acts as an investment holding company. As stated above, the Group is principally engaged in provision of waste treatment technologies and services. Most of the Group's waste-to-energy projects are at investing stage and do not generate cash income. It is difficult for the Group at this stage to raise fund by debt. Even the Group has been trying to arrange debt financing on project level, it is usually a prerequisite of a bank loan that the Company as the holding company or an equity holder shall put equity investment in place in the company specifically established for that project before the bank releases a project loan.

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## LETTER FROM THE BOARD

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Set out below are the equity fund raising activities conducted by the Company in the past twelve months immediately prior to the Latest Practicable Date:

Date of announcements	Description of the equity fund raising activities	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
19 October 2012	Placing of existing shares and subscription of new shares under general mandate	HK\$80.6 million	General working capital and/or the investment in the waste treatment project in Xingtai, Hebei province, the PRC (the “ <b>Xingtai Investment</b> ”)	The fund raised has not been used
3 August 2012	Placing of existing shares and subscription of new shares under general mandate	HK\$48.77 million	General working capital, repayment of loans of the Group and/or the Xingtai Investment	Approximately HK\$1.1 million has been used to repay the interest of a borrowing from Simple Success Investments Limited and the remaining HK\$47.67 million has not been used
6 December 2011	Issue of convertible bond	HK\$48.4 million has been raised and the balance of HK\$48.4 million is to be raised	Xingtai Investment and/or general working capital of the Company	The fund raised has not been used and the balance has yet to be completed

Save as and except for the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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**LETTER FROM THE BOARD**

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**Potential dilution to shareholding of the existing public Shareholders**

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the Issue Mandate (assuming no other Shares are issued and/or repurchased by the Company):

	<b>Shareholding in the Company as at the Latest Practicable Date</b>		<b>Shareholding in the Company upon full utilisation of the Issue Mandate (assuming no other Shares are issued and/or repurchased by the Company)</b>	
	<i>Number of Shares</i>	%	<i>Number of Shares</i>	%
Beijing Capital HK BC Water Investments Co., Ltd	299,022,000	16.06	299,022,000	13.38
Simple Success Investments Limited	9,284,000	0.50	9,284,000	0.42
Best View Enterprises Limited	270,760,000	14.54	270,760,000	12.12
Sycomore Limited, Mr. Marcello Appella and his associates	221,308,205	11.88	221,308,205	9.90
Public Shareholders	3,588,030	0.19	3,588,030	0.16
Shares to be issued under the Issue Mandate	1,058,294,804	56.83	1,058,294,804	47.35
	<u>—</u>	<u>—</u>	<u>372,451,407</u>	<u>16.67</u>
<b>Total</b>	<b><u>1,862,257,039</u></b>	<b><u>100</u></b>	<b><u>2,234,708,446</u></b>	<b><u>100</u></b>

The table above illustrates that the shareholdings of the existing public Shareholders would decrease from approximately 56.83% as at the Latest Practicable Date to approximately 47.35% upon full utilisation of the Issue Mandate (assuming no other Shares are issued and/or repurchased by the Company). Such potential dilution to the shareholdings of the existing public Shareholders represents a dilution of approximately 9.48 percentage points.

**EGM**

A notice of the EGM is set out on pages 40 to 42 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the EGM will be by poll. Pursuant to the requirements of Rule 13.36(4) of the Listing Rules, Mr. Marcello Appella, being an executive Director, and his associates shall abstain from voting for the resolution

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## LETTER FROM THE BOARD

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to be proposed at the EGM to approve the refreshment of the Existing General Mandate and Beijing Capital HK and its associates shall abstain from voting at the EGM in respect of the Connected Transactions.

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

Mr. Marcello Appella, being an executive Director, abstained from voting on the board resolution of the refreshment of the Existing General Mandate.

### RECOMMENDATION

The Directors are of the opinion that (i) the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of the Existing General Mandate are fair and reasonable; and (ii) the Connected Transactions and the grant of the Issue Mandate are in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the relevant resolutions proposed at the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Connected Transactions and the grant of the Issue Mandate and Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from Vinco Capital containing its recommendation in respect of the Connected Transactions and the grant of the Issue Mandate is set out on pages 18 to 35 of this circular.

### ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 16 to 17 of this circular; and (ii) the letter from Vinco Capital to the Independent Board Committee and the Independent Shareholders set out on pages 18 to 35 of this circular.

Yours faithfully,  
For and on behalf 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 the Cayman Islands with limited liability)*

**(Stock Code: 3989)**

12 December 2012

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLEMENTARY  
LOAN AGREEMENTS AND THE SHARE CHARGE AGREEMENT**

**AND**

**(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE AND ALLOT SHARES**

We refer to the circular to the Shareholders dated 12 December 2012 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether (i) the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of the Existing General Mandate are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Connected Transactions and the grant of the Issue Mandate are in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 5 to 15 of the Circular and the letter of advice from Vinco Capital as set out on pages 18 to 35 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of Vinco Capital as stated in its letter of advice, we consider that (i) the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of the Existing General Mandate are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Connected Transactions and the grant of the Issue Mandate are in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Connected Transactions and the grant of the Issue Mandate proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Pao Ping Wing**  
*Independent non-  
executive Director*

**Cheng Kai Tai, Allen**  
*Independent non-  
executive Director*

**Li Baochun**  
*Independent non-  
executive Director*

**Chan Yee Wah, Eva**  
*Independent non-  
executive Director*

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of Existing General Mandate, which has been prepared for the purpose of incorporation in this circular.*



**Grand Vinco Capital Limited**  
Units 4909–4910, 49/F., The Center  
99 Queen's Road Central, Hong Kong

12 December 2012

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

Dear Sirs,

**(1) CONNECTED TRANSACTIONS IN RELATION TO THE  
SUPPLEMENTARY LOAN AGREEMENTS AND THE SHARE  
CHARGE AGREEMENT  
AND  
(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE AND  
ALLOT SHARES**

### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of Existing General Mandate, details of which are set out in the section headed "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 12 December 2012 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

### **Supplementary Loan Agreements and the Share Charge Agreement**

Reference is made on the announcement of the Company dated 16 November 2012. On 16 November 2012, Yangzhou Biomax (as borrower and an indirect wholly-owned subsidiary of the Company) and Beijing Capital (as lender and the sole shareholder of Beijing Capital HK which in turn is a substantial Shareholder holding as to approximately 16.06% of the issued share capital of the Company) entered into the Supplementary Loan Agreements to amend the Existing Loan Agreements to the effect that (i) the respective term of the Existing Loan Agreements shall be extended for another 24 months effective from the

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## LETTER FROM VINCO CAPITAL

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date on which the approval of the Independent Shareholders on the Supplementary Loan Agreements and the transactions contemplated thereunder is obtained at the EGM; and (ii) the Loans under the Existing Loan Agreements shall be secured by the charge under the Share Charge Agreement.

On 16 November 2012, Beijing Capital (as chargee) and Shanghai Environmental Biomax (as charger and an indirect wholly-owned subsidiary of the Company) entered into the Share Charge Agreement, pursuant to which Shanghai Environmental Biomax charges all its beneficially owned rights to and interests in the entire equity interest of Nanchang Biomax in favour of Beijing Capital over the Charge Period so as to provide guarantee for fulfillment of the obligations of Yangzhou Biomax under the Supplementary Loan Agreements. No consideration was receivable by Shanghai Environmental Biomax for the provision of the share charge under the Share Charge Agreement.

As at the Latest Practicable Date, Beijing Capital HK is a substantial Shareholder holding as to approximately 16.06% of the issued share capital of the Company and also directly wholly owned by Beijing Capital. Beijing Capital, as an associate of Beijing Capital HK, is a connected person of the Company under the Listing Rules. And thus, the provision of financial assistance by Beijing Capital to Yangzhou Biomax as contemplated under the Supplementary Loan Agreements constitute connected transactions of the Company under Rule 14A.13(2)(b)(i) of the Listing Rules and the share charge provided by Shanghai Environmental Biomax in favour of Beijing Capital as contemplated under the Share Charge Agreement constitutes a connected transaction of the Company under Rule 14A.13(4) of the Listing Rules.

As the total consideration under the Supplementary Loan Agreements, when aggregated with the Existing Loan Agreements, exceeds HK\$10 million, the Supplementary Loan Agreements and the transactions contemplated thereunder are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

As certain applicable percentage ratios relating to the Share Charge Agreement are more than 25%, the Share Charge Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

Beijing Capital HK and its associates, holding an aggregate of 308,306,000 Shares (representing approximately 16.56% of the issued share capital of the Company) as at the Latest Practicable Date, will abstain from voting at the EGM in respect of the resolution approving the Supplementary Loan Agreements, the Share Charge Agreement and the respective transactions contemplated thereunder.

### **Proposed refreshment of Existing General Mandate**

As announced by the Company on 3 August 2012 and 19 October 2012, the Company entered into placing and subscription agreements pursuant to which 127,244,000 and 183,132,000 Shares were issued under the Existing General Mandate (the "Subscription"),

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## LETTER FROM VINCO CAPITAL

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representing nearly 100% of the Existing General Mandate. Upon completion of the Subscription on 14 August 2012 and 31 October 2012 respectively, the Existing General Mandate has almost been utilised.

In order to allow the flexibility to raise further capital through the issue of new Shares to finance its future business development if and when an opportunity arises, the Board proposes to refresh Existing General Mandate to allow the Directors to issue, allot and otherwise deal with new Shares under the Issue Mandate for not exceeding 20% of the issued share capital of the Company at the date of EGM respectively.

In accordance with Rule 13.36(4) of the Listing Rules, the proposed refreshment of Existing General Mandate requires the approval of the Independent Shareholders by way of poll at the EGM, at which the controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Issue Mandate.

As at the Latest Practicable Date, save for Mr. Marcello Appella, an executive Director, and his associates, with an interest of 3,588,030 Shares (approximately 0.19% of the issued share capital of the Company as at the Latest Practicable Date); no other Directors (excluding all the independent non-executive Directors) of the Company or their respective associates have any interests in any Shares. Since there is no controlling Shareholders of the Company, Mr. Marcello Appella, the executive Director and his associates (to the extent they hold any Shares at the time of the EGM) are required to abstain from voting at the EGM in respect of the resolution relating to the Issue Mandate.

The Independent Board Committee, comprising Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun and Ms. Chan Yee Wah, Eva all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether (i) the terms of the the Supplementary Loan Agreements and the Share Charge Agreement and refreshment of the Existing General Mandate are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Connected Transactions and the grant of the Issue Mandate are in the interests of the Company and the Shareholders as a whole.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that

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## LETTER FROM VINCO CAPITAL

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any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

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 in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of Existing General Mandate as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of Existing General Mandate and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders regarding the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of Existing General Mandate, we have taken into consideration the following principal factors and reasons:

#### **I. Connected Transactions in relation to Supplementary Loan Agreements and the Share Charge Agreement**

##### ***Background of the Existing Loan Agreements***

Major terms of the Existing Loan Agreements are set out below.

##### ***(I) Existing Loan Agreement I***

Date: 20 February 2012

Parties: Yangzhou Biomax (as borrower); and Beijing Capital (as lender)

Principal Amount: RMB40 million

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## LETTER FROM VINCO CAPITAL

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Term:	10 months from 20 February 2012 to 19 December 2012
Interest rate:	a fixed rate of the prevailing PBOC Rate multiplied by 1.1 (i.e. 7.216% per annum)
Repayment:	Yangzhou Biomax may prepay the outstanding loans (together with all accrued interest thereon) in whole or in part to Beijing Capital with the prior consent of Beijing Capital
Use of Proceeds:	exclusively for working capital of Yangzhou Biomax

On 20 February 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into the Existing Loan Agreement I for an unsecured loan with a principal amount of RMB40 million. Yangzhou Biomax made draw down of the full principal amount of RMB40 million under the Existing Loan Agreement I on 20 February 2012.

### *(II) Existing Loan Agreement II*

Date:	20 August 2012
Parties:	Yangzhou Biomax (as borrower); and Beijing Capital (as lender)
Principal Amount:	RMB40 million
Term:	12 months from 20 August 2012 to 19 August 2013
Interest rate:	a fixed rate of the prevailing PBOC Rate multiplied by 1.15 (i.e. 6.9% per annum)
Repayment:	Yangzhou Biomax may prepay the outstanding loans (together with all accrued interest thereon) in whole or in part to Beijing Capital with the prior consent of Beijing Capital
Use of Proceeds:	exclusively for acquisition of a waste treatment project located in Du Yun city, Guizhou province, the PRC by Yangzhou Biomax

On 20 August 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into the Existing Loan Agreement II for an unsecured loan of RMB40 million. Yangzhou Biomax made draw down of RMB20 million under the on 15 October 2012 and made further draw down of RMB16 million on 19 November 2012 under the Existing Loan Agreement II.

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## LETTER FROM VINCO CAPITAL

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### *(III) Existing Loan Agreement III*

Date:	20 August 2012
Parties:	Yangzhou Biomax (as borrower); and Beijing Capital (as lender)
Principal Amount:	RMB21 million
Term:	12 months from 20 August 2012 to 19 August 2013
Interest rate:	a fixed rate of the prevailing PBOC Rate multiplied by 1.15 (i.e. 6.9% per annum)
Repayment:	Yangzhou Biomax may prepay the outstanding loans (together with all accrued interest thereon) in whole or in part to Beijing Capital with the prior consent of Beijing Capital
Use of Proceeds:	exclusively for acquisition of a waste treatment project located in Weng An city, Guizhou province, the PRC by Yangzhou Biomax

On 20 August 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into the Existing Loan Agreement III for an unsecured loan of RMB21 million. Yangzhou Biomax made draw down of the full principal amount of RMB21 million under the Existing Loan Agreement III on 24 August 2012.

As at Latest Practicable Date, Yangzhou Biomax is indebted to Beijing Capital in aggregate of approximately RMB100 million under the Existing Loan Agreements, which includes the principal amount of RMB97 million and the accrued interest of approximately RMB3 million.

### ***Supplementary Loan Agreements & Share Charge Agreement***

On 16 November 2012, Yangzhou Biomax (as borrower) and Beijing Capital (as lender) entered into the Supplementary Loan Agreements to amend the Existing Loan Agreements to the effect that:

- (i) The respective term of the Existing Loan Agreements shall be extended for another 24 months effective from the date on which the approval of the Independent Shareholders on the Supplementary Loan Agreement and the transactions thereunder is obtained at the EGM; and
- (ii) The Loans under the Existing Loan Agreements shall be secured by the charge under the Share Charge Agreement.

Each of the Supplementary Loan Agreements is conditional upon obtaining the approval of Independent Shareholders on the Supplementary Loan Agreements and the transactions contemplated thereunder at the EGM.

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## LETTER FROM VINCO CAPITAL

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On 16 November 2012, Beijing Capital (as chargee) and Shanghai Environmental Biomax (as charger and an indirect wholly-owned subsidiary of the Company) entered into the Share Charge Agreement.

Under the Share Charge Agreement, Shanghai Environmental Biomax shall charge all its beneficially owned rights to and interests in the entire equity interest of Nanchang Biomax in favour of Beijing Capital over the Charge Period so as to provide guarantee for fulfillment of the obligations of Yangzhou Biomax under the Supplementary Loan Agreements. No consideration was receivable by Shanghai Environmental Biomax for the provision of the share charge under the Share Charge Agreement.

The Share Charge Agreement shall be conditional upon obtaining the approval of the Independent Shareholders on the Share Charge Agreement and the transactions contemplated thereunder at the EGM.

As at Latest Practicable Date, Shanghai Environmental Biomax, an indirect wholly-owned subsidiary of the Company, is principally engaged in provision of technical services. Nanchang Biomax is a wholly owned subsidiary of Shanghai Environmental Biomax and is principally engaged in producing and operating of factories for municipal solid waste treatment.

### ***Reasons for and benefits of the Supplementary Loan Agreements and the Existing Loan Agreements and the Share Charge Agreement***

#### *Financial performance of the Group*

The table below sets out the audited consolidated financial information of the Group for the three years ended 31 December 2011 as extracted from the respective annual reports of the Group:

	<b>For the year ended 31 December</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>HKD\$'000</i>	<i>HKD\$'000</i>	<i>HKD\$'000</i>
	(Audited)	(Audited)	(Audited)
Turnover	49,001	195,233	117,598
Loss attributable to owners of the Group	(325,504)	(742,303)	(978,257)
	<b>As at 31 December</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>HKD\$'000</i>	<i>HKD\$'000</i>	<i>HKD\$'000</i>
	(Audited)	(Audited)	(Audited)
Total assets	681,121	839,599	1,938,193
Total liabilities	618,391	768,120	1,431,696
Equity attributable to owners of the Group	81,438	68,147	465,792
Bank balances and cash	54,859	34,280	125,303

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## LETTER FROM VINCO CAPITAL

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For the three years ended 31 December 2011, the Group recorded revenue of approximately HK\$117.6 million, HK\$195.2 million, HK\$49.0 million respectively. The increase in turnover by 66.0% from approximately HK\$117.6 million for the year ended 31 December 2009 to approximately HK\$195.2 million for the year ended 31 December 2010 were due to the increase in trading of apparel and accessories business and the acquisition of waste treatment and waste-to-energy business in December 2009. For the year ended 31 December 2011, sales decreased by approximately 74.9% to approximately HK\$49.0 million due to the substantial decrease in trading of apparel and accessories business and waste treatment and waste-to-energy business, with a decrease of approximately 79.9% and approximately 61.0% respectively.

The Group recorded loss attributable to owners of the Group of approximately HK\$978.3 million, HK\$742.3 million and HK\$325.5 million for the three years ended 31 December 2011. The decrease in loss of the Group to approximately HK\$742.3 million for the year ended 31 December 2010 was mainly due to the improvement in gross profit to approximately 13.9% resulted from decrease in stock provision. The loss attributable to owners of the Group further decreased to approximately HK\$325.5 million for the year ended 31 December 2011 due to the decrease in selling and distribution expenses and administrative expenses by 96.4% and 62.1% respectively. Such significant decrease was due to the disposal of manufacturing of apparel and accessories business which was completed on 30 November 2010.

### *Financial performance of Yangzhou Biomax and the underlying grounds of entering into the Existing Loan Agreements, Supplementary Loan Agreements and the Share Charge Agreement*

As we have reviewed the audited report of Yangzhou Biomax for the two years ended 31 December 2010 and 2011 as advised by the Directors, it has yet to generate any income due to the projects undertaken by Yangzhou Biomax and its subsidiary were still in investing stage. Furthermore, Yangzhou Biomax has recorded net loss for the nine months ended 30 September 2012 as referring to its consolidated management account. Thus, we are of the view that, in accordance to the past financial performance of Yangzhou Biomax, it is difficult for Yangzhou Biomax to obtain any bank loans which the terms thereunder would be more favorable than the Existing Loan Agreements and the Supplementary Loan Agreements.

Throughout our discussion with the Directors, we understand that before entering the Existing Loan Agreements, the Company has enquired for loan quotations from three different banks which are independent from the Company. We have reviewed the minutes in relation to those loan quotations, and we noted that the terms thereunder were less favorable than the Existing Loan Agreements, along with the Supplementary Loan Agreements and the Share Charge Agreement. Among those three loan quotations, two of them were obtained in February 2012 and another one was obtained in July 2012. In accordance to the terms stipulated in those loan quotations, the interest rate charged by all three different banks were not less than the prevailing PBOC Rate multiplied by 1.15, with repayment term between three to six months and also requested for asset pledge and shareholders' guarantee. As those loan quotations were obtained at the preliminary stage of negotiating for the bank loan, they did not specify the details of assets pledge and shareholders guarantee required. However, as advised by the Directors, with respect to the asset pledge, those banks would only accept tangible assets for pledge and would not accept share charge. Having considered

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## LETTER FROM VINCO CAPITAL

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that (i) the Company has obtained loan quotations in a month before entering the Existing Loan Agreements, thus we believe that the loan quotations were representative to be used for assessing the underlying grounds for the Company to enter the Supplementary Loan Agreements, (ii) Yangzhou Biomax is yet to generate any income and recorded net loss for the nine months ended 30 September 2012, (iii) the terms under the loan quotations provided from three different banks were less favorable than the Existing Loan Agreements, along with the Supplementary Loan Agreements and the Share Charged Agreement, we are of the view that the terms of the Supplementary Loan Agreements and the Share Charged Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As stated in the Letter from the Board in the Circular, most of the Group's waste-to-energy projects are in investing stage and have not yet generate cash income. Yangzhou Biomax had difficulty in obtaining loans from independent commercial banks in the PRC given its financial condition and the foreign exchange control policies promulgated by the relevant PRC authorities made it difficult for the Company to remit the funds raised by the Company in the Hong Kong equity market to its PRC subsidiaries. Thus, it is difficult for the Group at this stage to raise fund by debt financing from bank. In order to facilitate the acquisitions by Yangzhou Biomax of waste treatment projects in each of Du Yun city and Weng An city, Guizhou province in the PRC and provide additional working capital for Yangzhou Biomax, Yangzhou Biomax and Beijing Capital entered the Supplementary Loan Agreements, the Existing Loan Agreements and the Share Charge Agreement. The Directors consider that the acquisition of waste treatment projects in Du Yun city and Weng An city are beneficial to the long term development of Yangzhou Biomax and hence to the Group. In addition, the Supplementary Loan Agreements allow the respective terms of the Existing Loan Agreements to be extended for another 24 months upon satisfaction of the condition — approval from Independent Shareholders on the Supplementary Loan Agreements, the Share Charge Agreement and the respective transactions contemplated thereunder at the EGM.

In order to obtain the Loans from Beijing Capital to support Yangzhou Biomax's working capital and the acquisitions of two waste treatment projects, Shanghai Environmental Biomax shall charge all its beneficially owned rights to and interests in the entire equity interest of Nanchang Biomax in favour of Beijing Capital over the Charge Period. Given that the Loans can be extended for 24 months under the Supplementary Loan Agreements and the Share Charge Agreement was determined on an arm's length negotiation basis and are entered for obtaining Loans to finance acquisitions of two waste treatment projects which are beneficial to the long term development of the Group, we are of the view that it is in the interest of the Company and the Independent Shareholders as a whole.

### ***Principle terms under the Supplementary Loan Agreements and the Share Charge Agreement***

In assessing the fairness and reasonableness of the Supplementary Loan Agreements and the Share Charge Agreement, we have considered applying a comparable analysis through comparing a number of parameters such as interest rate, length of loan agreements, presence of any collateral or asset pledge to secure loan, to companies listed on the Stock Exchange with similar line of business of the Group, namely engaging in provision of waste treatment technologies and services

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## LETTER FROM VINCO CAPITAL

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which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Due to the unique business nature of the Group, we have not been able to identify suitable comparable companies with similar business nature with the Group. In addition, we consider that it would be difficult to conduct a comparable analysis on loan agreements as each company has its specific risk profile and the borrower normally depends upon each company's specific credit risk to determine the terms of loan. Thus, we consider the aforesaid comparable analysis is not applicable.

### *Interest rate*

As stated in the Letter from the Board in the Circular, the interest rates under the Existing Loan Agreements were determined after arm's length negotiation between Yangzhou Biomax and Beijing Capital with reference to the prevailing interest rates quoted by the commercial banks in the PRC and the financial position of Yangzhou Biomax. As advised by the Directors, save for the Loans, Yangzhou Biomax did not obtain any other loan or bank facilities for the past two years. In addition, we noted that Yangzhou Biomax did not record any short-term borrowing or long-term borrowing as we reviewed the audited report of Yangzhou Biomax for the accounting year 2010 and 2011. In this respect, we cannot conclude whether the interest rate charged to Yangzhou Biomax under the Existing Loan Agreements is comparable to those of independent third parties charged to Yangzhou Biomax. However, as abovementioned, Yangzhou Biomax have obtained loan quotation from three different banks in a month before entering into the Existing Loan Agreements, and those banks charged Yangzhou Biomax an interest rate as no less than the PBOC Rate multiplied by 1.15 plus asset pledge and shareholders' guarantee. Thus, we consider that the interest rate under the Existing Loan Agreements is not unduly unfavorable to the Yangzhou Biomax. Moreover, as referring to the standard lending rates published by the People's Bank of China from time to time, the standard lending rates are generally higher as repayment term prolonged, which is set out as below, along with a comparison analysis to illustrate if the interest rates under the Supplementary Loan Agreements were determined based on the standard rate published by the People's Bank of China with the repayment term between 1 year to 3 years:

<b>Publication Date</b>	<b>The standard rate published by the People's Bank of China</b>	
	<b>6–12 months (including the 12 month) (%)</b>	<b>1–3 years (including the 3rd year) (%)</b>
7 July 2011	6.56	6.65
8 June 2012	6.31	6.40
6 July 2012	6.00	6.15

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## LETTER FROM VINCO CAPITAL

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	<b>Interest rate charged to Yangzhou Biomax (%)</b>
Supplementary Loan Agreement I	7.216
Illustrative rate I <sup>(1)</sup>	7.315
Supplementary Loan Agreement II and III	6.9
Illustrative rate II <sup>(2)</sup>	7.073

*Note 1:* Illustrative rate I was calculated based on the People's Bank of China's standard rate published on 7th July 2011 with repayment term 1 to 3 years and multiplied it by 1.1

*Note 2:* Illustrative rate II was calculated based on the People's Bank of China's standard rate published on 6th July 2012 with repayment term 1 to 3 years and multiplied it by 1.15

According to the above table, would Beijing Capital determine the interest rate based on the People's Bank of China's standard rate with the respective repayment term, Yangzhou Biomax would be charged a higher interest rate as the repayment term has extended for another 24 months. In this respect, under the Supplementary Loan Agreements, Beijing Capital has remained the interest rate the same as to those of the Existing Loan Agreements even the repayment term has extended for another 24 months. Having taking into consideration that (i) the interest rate under the Existing Loan Agreements is not unduly unfavorable to Yangzhou Biomax as compared to those loan quotations; and (ii) Beijing Capital did not charge higher interest rate under the Supplementary Loan Agreements, which is generally higher as the repayment term prolonged in accordance to the standard lending rate published by the People's Bank of China from time to time, we are of the view that the interest rates under the Supplementary Loan Agreements is in the ordinary and usual course of business, fair and reasonable and is in the interest of the Company and the Independent Shareholders as a whole.

### *Share Charge*

Pursuant to the Supplementary Loan Agreements, the Loans under the Existing Loan Agreements shall be secured by the charge under the Share Charge Agreement. In order to assess the fairness and reasonableness of using the share charge under the Share Charge Agreement to secure the Loans, we have reviewed the financial standing and position of the borrower, Yangzhou Biomax. As confirmed by the Directors, currently the project undertaken by Yangzhou Biomax and its subsidiary is still in the investment stage and has yet officially commenced business operation. Therefore, no revenue and profit are generated by Yangzhou Biomax and its subsidiary. Given the premature business stage of Yangzhou Biomax and its subsidiary, the prospect and future development of Yangzhou Biomax and its subsidiary will depend on the support and investment made by the Company into Yangzhou Biomax and its subsidiary.

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## LETTER FROM VINCO CAPITAL

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With reference to the annual report of the Company for the year ended 31 December 2011, the Group recorded revenue from continuing operation and a loss for the year attributable to owners of the Company of approximately HK\$49.00 million and HK\$325.50 million respectively. The net assets attributable to the owners of the Company and the cash balance of the Group was approximately HK\$81.44 million and HK\$54.86 million respectively. The net gearing ratio was nil as the cash balance exceeded borrowings as at 31 December 2011 and the current ratio decreased substantially from approximately 1.25 in the previous year to approximately 0.44 as at 31 December 2011.

As stated in the interim report of the Company for the six ended 30 June 2010, the Group recorded revenue from continuing operation and a loss for the period attributable to owners of the Company of approximately HK\$15.50 million and HK\$41.14 million respectively. The net assets attributable to the owners of the Company and the cash balance of the Group was approximately HK\$35.21 million and HK\$43.26 million respectively. The net gearing ratio was approximately 1.64 as at 30 June 2012 and the current ratio was 0.42 for the six months ended 30 June 2012.

We noted that the Company has recorded loss-making results for 3 consecutive financial years and for the six months ended 30 June 2012. The financial position of the Group has also worsened for which the net gearing ratio and the current ratio have both deteriorated. In the lender's perspective, the premature business stage of Yangzhou Biomax, with an extended duration of 24 months, have increased the underlying credit risk of the Loans. We also noted that the value of the share pledged is considerably higher than the aggregate value of the Loan. As advised by the Directors, the credit risk bared by the lender and the interest rate chargeable will generally decrease as the value of the collateral increase. Moreover, certain factors including quality and marketability of the pledged assets play an important determinant in justifying the reasonable value of the pledged assets. According to the management accounts of Nanchang Biomax for the nine months ended 30 September 2012, the net asset value is approximately RMB185.8 million. The vast majority of the assets as at 30 September 2012 are prepayments and non-current assets (i.e. approximately RMB169.5 million), both of which may not be disposed easily. Pledged assets may also be subject to a substantial marketability discount to compensate for their low liquidity. Notwithstanding with the all the aforementioned factors that increase in the credit risk of the Loans, the interest rates remain unchanged as in the Existing Loan Agreements and even represent a more favourable rate quoted by the Company from bank previously. In light of the above, we therefore concur with the view of the Directors that the inclusion of pledged collateral in the Supplementary Loan Agreements with such amount substantially higher than the aggregate amount of the Loans is fair and reasonable.

In addition, we have reviewed the Existing Loan Agreements and we noted that, save for the extension of the respective duration for an additional for another 24 months commencing upon satisfaction of the condition as set out in the Supplementary Loan Agreements and creation of share charge thereon, other principal terms of the Supplementary Loan Agreements are essentially identical to those of the Existing Loan

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## LETTER FROM VINCO CAPITAL

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Agreements. Having taking into consideration of all the abovementioned factors, which including (i) the loan quotation from three different banks were obtained in a month prior to entering the Existing Loan Agreements and we are of the view that they are representative and the terms thereunder were less favourable than the Existing Loan Agreements, along with the Supplementary Loan Agreements and the Share Charged Agreement; (ii) the Supplementary Loan Agreements and the Share Charge Agreement was determined on an arm's length negotiation basis and are entered for obtaining Loans to finance acquisitions of two waste treatment projects which are beneficial to the long term development of the Group; (iii) Beijing Capital did not charge higher interest rate under the Supplementary Loan Agreements, which is generally higher as the repayment term prolonged in accordance to the standard lending rate published by the People's Bank of China from time to time; (iv) given the premature business stage of Yangzhou Biomax, the prospect and future development of Yangzhou Biomax and its subsidiary will depend on the support and investment made by the Company into Yangzhou Biomax and its subsidiary; (v) vast majority of the assets of Nanchang Biomax (as the share pledged under the Share Charge Agreement) are prepayments and non-current assets which may not be disposed easily and; (vi) the value of the pledged assets may also subject to a substantial marketability discount to compensate for their low liquidity, we are of the view that the Supplementary Loan Agreements and the Share Charge Agreement are fair and reasonable, the terms are on normal commercial terms so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole.

### **II. Refreshment of the Existing General Mandate**

The Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects.

At the AGM, the Shareholders approved, among other things, an ordinary resolution to grant the Directors the Existing General Mandate to issue not more than 310,376,207 Shares, being 20% of the then issued share capital of the Company of 1,551,881,039 Shares at the date of passing the resolution.

As announced by the Company on 3 August 2012 and 19 October 2012, the Company entered into placing and subscription agreements pursuant to which 127,244,000 and 183,132,000 Shares were issued under the Existing General Mandate (the "Subscription"), representing approximately 41% and approximately 59% of the Existing General Mandate respectively. Upon completion of the Subscription on 14 August 2012 and 31 October 2012 respectively, the Existing Issue Mandate has almost been utilised. As at the Latest Practicable Date, the Directors may issue, allot and deal with up to 207 Shares under the Existing General Mandate, representing approximately less than 0.1% of the Shares in issue as at the Latest Practicable Date.

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## LETTER FROM VINCO CAPITAL

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Given that the Existing General Mandate granted to the Directors has almost been fully utilised upon completion of the subscription on 14 August 2012 and 31 October 2012, if the Existing General Mandate is not refreshed, the Directors would not be allowed to allot and issue Shares until the next annual general meeting of the Company. In order to provide a flexible means for the Company to raise further funds through the issue of new Shares for its future business development if and when an opportunity arises, the Board proposes to seek approval of Independent Shareholders at the EGM for the refreshment of Existing General Mandate so that the Directors could issue, allot and otherwise deal with new Shares under the Issue Mandate for not exceeding 20% of the issued share capital of the Company at the date of EGM.

As at the Latest Practicable Date, the aggregate number of issued Shares is 1,862,257,039 Shares. Subject to the passing of the relevant ordinary resolution for the refreshment of the Existing General Mandate and on the assumption that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date and up to the date of the EGM (both dates inclusive), the Directors would be granted the authority to allot, issue and otherwise deal with up to a maximum of 372,451,407 new Shares under the Issue Mandate, respectively representing 20% of the aggregate number of issued Shares as at the date of the EGM.

### *Fund raising activities in the past twelve months*

The following table summaries the fund raising activities of the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of Announcement	Fund Raising Activities	Net proceeds raised ( <i>approximately</i> )	Intended use of proceeds	Actual use of proceeds
19 October 2012	Placing of existing shares and subscription of new shares under general mandate	HK\$80.60 million	General working capital and/or the investment in the waste treatment project in Xingtai, Hebei province, the PRC (the "Xingtai Investment")	The fund raised has not been used
3 August 2012	Placing of existing shares and subscription of new shares under general mandate	HK\$48.77 million	General working capital, repayment of loans of the Group and/or the Xingtai Investment	Approximately HK\$1.1 million has been used to repay the interest of a borrowing from Simple Success Investments Limited and the remaining HK\$47.67 million has not been used
6 December 2011	Issue of Convertible Bond	HK\$48.4 million has been raised and the balance of HK\$48.4 million is to be raised	Xingtai Investment and/or general working capital of the Company	The fund raised has not been used and the balance has yet to be completed

Save as disclosed above, the Directors confirmed that the Company has not conducted any other fund-raising activities during the past twelve months immediately prior to the Latest Practicable Date.

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## LETTER FROM VINCO CAPITAL

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As set out in the unaudited interim report of the Company for the six months ended 30 June 2012, the cash and cash equivalent of the Group was approximately HK\$43 million. However, there is no guarantee that such cash resources available to the Group will be sufficient or be available for its investment and/or business development in the future. In the event that the Company identifies a suitable investment and/or business development opportunities but does not have sufficient financial resources on hand, or is unable to obtain loan financing on acceptable terms, or cannot find other alternatives to finance such investment opportunity in a timely manner, the Company may lose its chances to capture an otherwise favourable investment and/or a favorable opportunity to expand its business portfolio.

We are advised by the Directors that they have been actively seeking potential investment and/or business development opportunities to expand its waste treatment business by investing waste treatment projects, which can be foreign investment projects if opportunities arise. Moreover, when investment opportunities arise, it is not uncommon for companies to enter into the sales and purchase agreement prior to the completion of the due diligence works, the consideration of such proposed investment opportunities can be determined based on combining both cash and equity during the course of negotiation with the vendors. Thus, in the event that the Group is lack of cash or any cash equivalents, the refreshment of Existing General Mandate can facilitate the completion of entering into any sales and purchase agreement with the vendor through providing an additional method when determining the consideration if the vendor is willing to take Shares as part of the consideration.

As advised by the Directors, the Group intends to expand its waste treatment business without significantly deteriorating its existing cash position and/or gearing position, we therefore consider that it is not unreasonable for the Directors to propose refreshment of the Existing General Mandate at the EGM in order to offer the Group greater flexibility in the issuance of new Shares and/or convertible instruments in future to capture investment and/or business development opportunities which may arise at any time and require prompt decision by the Group.

In view of the foregoing, we concur with the Directors' view that the refreshment of the Existing General Mandate is fair and reasonable to the Company and is in the interests of the Company and the Independent Shareholders as a whole.

### ***Financial flexibility***

The Directors believed that the refreshment of the Existing General Mandate will provide the Company with higher limit and greater flexibility to raise further funds and/or implement equity financing for its future business development.

We consider that the refreshment of the Existing General Mandate could enhance the financing flexibility of the Company to raise capital and to strengthen the capital base of the Group, if and when required, by way of issue of new Shares. In addition, the Directors consider that if opportunities to expand existing business portfolios arise, decisions may have to be made within a limited period of time. The refreshment of the Existing General Mandate would provide the Group with the maximum flexibility as

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## LETTER FROM VINCO CAPITAL

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allowed under the Listing Rules to allot, issue and otherwise deal with new Shares through placing of Shares as consideration for funding such business development opportunities in the future as and when such opportunities arise. The increased amount of capital which may be raised under the refreshment of the Existing General Mandate will provide more options and efficiency of financing to the Group when assessing and negotiating potential business developments in a timely manner.

In view of the foregoing and the next annual general meeting will not be convened until around June 2013 (which is about seven months away from the Latest Practicable Date), we consider that it is reasonable for the Company to propose the refreshment of the Existing General Mandate are fair and reasonable to the Company and are in the interests of the Company and the Independent Shareholders as a whole.

### *Other financing alternatives*

As advised by the Directors, the Group would normally consider both debt financing and equity financing for funding its future investments and/or business development. Although both debt financing and equity financing would impact the earning per share of the Group, having taken into consideration that debt financing (i) may incur interest burden on the Group; (ii) the repayment of the debt plus interest is mandatory regardless to the financial performance of the Group, which will prejudice to the Group's liquidity position and increase the Group's default risk; (ii) the suppliers of the Group may impose less favorable credit terms if they realized the Group has higher gearing ratio; and (iii) may subject to, including but not limited to lengthy due diligence and negotiations with the banks with regards to the Group's financial position, capital structure and cost of funding of the Group as well as the prevailing market condition we are of the view that equity financing is more expedient to the Group as compared with debt financing. In addition, as advised by the Directors, most of the Group's waste-to-energy projects are in investing stage and have not yet generated cash income. It is difficult for the Group at this stage to raise funds by debt financing. Even the Group has been trying to arrange debt financing on project level, it is usually a prerequisite for offering a bank loan that the Company as the holding company or an equity holder shall put equity investment in place in the company specifically established for that project before the bank releases a project loan. Based on the aforesaid, the Directors consider that debt financing is rather uncertain and time-consuming as compared to equity financing for the Group to raise additional capital for its future investments and/or business development.

With respect to the other forms of pro rata equity financing method such as rights issue and open offer, the Directors consider that such pro rata equity financing would generally incur higher costs and more time-consuming. The Company may also not be able procure favourable terms in commercial underwriting.

Accordingly, the Directors consider that the proposed refreshment of the Existing General Mandate may provide an alternative to fund any possible business development or investment opportunities of the Group. Further, the Directors confirmed that they would exercise due and careful consideration when choosing the

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## LETTER FROM VINCO CAPITAL

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financing method available to the Group and would adopt the method which serves the best interest of the Group. Accordingly, we thus concur with the Directors' view that the refreshment of the Existing General Mandate are in the interest of the Company and the Independent Shareholders as a whole.

### *Potential dilution to shareholdings of the Independent Shareholders*

The table below illustrates the shareholding structure of the Company as at the Latest Practicable Date; and, for illustrative purpose, the potential dilution effect on the shareholdings of Company immediately after full utilisation of the refreshment of the Existing General Mandate is based on the assumptions that there are no changes in the issued share capital of the Company from the Latest Practicable Date until the date of the EGM.

	<b>As at the Latest Practicable Date</b>		<b>Immediate after the full utilisation of the refreshment of Existing Issue Mandate (assuming no additional Shares are issued or repurchased by the Company)</b>	
	<i>Number of</i>	<i>%</i>	<i>Number of</i>	<i>%</i>
	<i>Shares</i>	<i>(approximately)</i>	<i>Shares</i>	<i>(approximately)</i>
Beijing Capital HK	299,022,000	16.06	299,022,000	13.38
BC Water Investment Co., Ltd	9,284,000	0.50	9,284,000	0.42
Simple Success Investments Limited	270,760,000	14.54	270,760,000	12.12
Best View Enterprises Limited	221,308,205	11.88	221,308,205	9.90
Sycomore Limited, Mr. Marcello				
Appella and his associates	3,588,030	0.19	3,588,030	0.16
Public Shareholders	1,058,294,804	56.83	1,058,294,804	47.35
Shares to be issued under the Issue Mandate	—	—	<u>372,451,407</u>	<u>16.67</u>
<b>Total</b>	<u>1,862,257,039</u>	<u>100</u>	<u>2,234,708,446</u>	<u>100</u>

As illustrates in the table above, the aggregate shareholdings of the existing public Shareholders would decrease from approximately 56.83% as at the Latest Practicable Date to approximately 47.35% immediately after full utilisation of the refreshment of the Existing General Mandate, indicating a potential maximum dilution of approximately 9.48 percentage points. Taking into account that (i) the refreshment of the Existing General Mandate will provide an alternative to increase the amount of capital; (ii) the refreshment of the Existing General Mandate will provide more financing alternatives to the Group for potential investment and/or business development when such opportunities arise and; (iii) the fact that the shareholding of all the Shareholders will be diluted proportionally according to their respective shareholdings upon any utilisation of the refreshment of the Existing General Mandate, we consider such potential maximum dilution to shareholdings of the Independent Shareholders to be justifiable.

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## LETTER FROM VINCO CAPITAL

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### CONCLUSION

Having taken into consideration the above principal factors and reasons, we are of the opinion that the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of the Existing General Mandate are in the ordinary and usual courses of business, are fair and reasonable and the terms are on normal commercial terms so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the terms of the Supplementary Loan Agreements and the Share Charge Agreement and the refreshment of the Existing General Mandate.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the 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 were taken or deemed to have been taken 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 interests	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	0.19%

*Note:* These Shares were held by Sycomore Limited (“**Sycomore**”), which was 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 was deemed or taken to have interest in the Shares held by Sycomore for the purposes of the SFO.

**(B) Long position in the share options of the Company**

At the Latest Practicable Date, the following Director had interests in the share options granted by the Company under the share option scheme adopted by the Company on 15 June 2006:

<b>Name of Director</b>	<b>Nature of interests</b>	<b>Number of underlying ordinary shares in respect of options granted</b>	<b>Approximate percentage of issued share capital of the Company</b>
Mr. Marcello Appella	Beneficial owner	201,532	0.01%

Set out below are particulars of the Directors' directorship in or employment with companies which had 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 as at the Latest Practicable Date:

<b>Name of Director</b>	<b>Position</b>	<b>Name of companies which had such discloseable interest or short position</b>
Mr. Yu Chang Jian	Director	Beijing Capital HK
	Director	Beijing Capital
Mr. Liu Xiao Guang	Director	Beijing Capital HK
	Director	Beijing Capital
Mr. Cao Guo Xian	Director	Beijing Capital HK

**3. DIRECTORS' SERVICE CONTRACTS**

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

**4. DIRECTORS' INTERESTS**

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group; and

- (b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2011 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group.

## 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competed or was likely to compete either directly or indirectly with the business of the Group.

## 6. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has been named in this circular or has given opinion or letter contained in this circular:

<b>Name</b>	<b>Qualification</b>
Vinco Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Vinco Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.
- (c) Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and opinion as set out in this circular and references to its name in the form and context in which it is included.
- (d) As at the Latest Practicable Date, Vinco Capital did not have any interest, direct or indirect, in any assets which had been, since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**8. MISCELLANEOUS**

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

**9. 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 Existing Loan Agreements;
- (b) the Supplementary Loan Agreements; and
- (c) the Share Charge Agreement.



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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3989)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of New Environmental Energy Holdings Limited (the “Company”) will be held at 11:00 a.m. on Monday, 31 December 2012, at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for the purposes of considering and, if thought fit, passing with or without modifications the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS**

**1. “THAT:**

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of HK\$0.10 each in the capital of the Company (the “Shares”) or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval given in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined);
  - (ii) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;

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## NOTICE OF EGM

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- (iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to eligible persons of Shares or rights to acquire Shares; or
- (iv) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares pursuant to the Articles of Association (the “Articles”) of the Company from time to time;

shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of the Company or any applicable laws of Cayman Islands to be held;
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares whose names stand on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares at that date (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

### 2. “THAT:

- (a) the entering into of the Supplementary Loan Agreements and the Share Charge Agreement (as defined in the circular of the Company dated 12 December 2012), copies of which have been signed by the chairman of the EGM and for the purpose of identification marked “A”, and the transactions contemplated thereunder and the implementation thereof be and are hereby approved and confirmed; and

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## NOTICE OF EGM

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- (b) any one of the Directors be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Supplementary Loan Agreements and the Share Charge Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Supplementary Loan Agreements and the Share Charge Agreement they may in their discretion consider to be desirable and in the interests of the Company and all the Directors' acts as aforesaid be hereby approved, ratified and confirmed.”

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

Hong Kong, 12 December 2012

**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 shareholder of the Company.
2. 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 deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the meeting or any adjournment thereof.
3. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the meeting, in person or by proxy, in respect of such share as if he or she was solely entitled thereto, but if more than one of such holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.
4. In accordance with the Listing Rules as defined in the circular of the Company dated 12 December 2012, Mr. Marcello Appella, being the executive Director, and his associates shall abstain from voting in respect of Resolution 1 as set out above in this notice which shall be voted only by way of poll and Beijing Capital HK and its associates shall abstain from voting in respect of Resolution 2 as set out above in this notice which shall be voted only by way of poll.