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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)**

### **PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER THE GENERAL MANDATE RESUMPTION OF TRADING**

**Placing Agent**



**Fortune (HK) Securities Limited**

#### **THE PLACING AGREEMENT AND THE SUBSCRIPTION AGREEMENT**

On 26 August 2010, the Placing Agreement was entered into between the Vendors, the Company and the Placing Agent, upon which the Placing Agent has agreed, on a best effort basis, to place to not less than 6 places up to a maximum of 148,400,000 Placing Shares held by the Vendors to parties which (including their ultimate beneficial owners, where applicable) are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules) at HK\$0.537 per Placing Share. Completion of the Placing will take place on the 3rd business day after the execution of the Placing Agreement or such other date as the Vendors and the Placing Agent shall agree on.

Also on 26 August 2010, the Subscription Agreement was entered into between the Company and the Vendors, upon which the Vendors conditionally agreed to subscribe for the Subscription Shares from the Company at HK\$0.537 per Subscription Share. The Subscription is subject to various conditions set out below under the section headed “Conditions of the Subscription”.

The price per Placing Share (the price of which is the same as that of the Subscription Share) represents (i) a discount of 19.85% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the last trading day preceding release of this announcement; (ii) a discount of approximately 3.24% to the average closing price of approximately HK\$0.555 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date immediately preceding the suspension of the trading of the Shares pending release of this announcement; and (iii) a discount of approximately 2.01% to the average closing price of approximately HK\$0.548 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date immediately preceding the suspension of the trading of the Shares pending release of this announcement.

The maximum of 148,400,000 Placing Shares represent approximately 17.47% of the existing issued share capital of the Company and approximately 14.87% of the issued share capital of the Company as enlarged by the allotment and issue of the same number of Subscription Shares under the Subscription.

The Subscription is conditional upon the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and completion of the Placing. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 1 June 2010. Assuming that the Placing Shares are fully placed under the Placing, the net proceeds from the Subscription will be approximately HK\$76 million and the net price per Subscription Share will be approximately HK\$0.513. The Company intends to use the net proceeds as general working capital and for repayment of loans of the Group.

**Completion of the Placing and the Subscription are subject to the satisfaction (or waiver, where appropriate) of the conditions of the Placing Agreement and the Subscription Agreement, respectively, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in Shares.**

## **RESUMPTION OF TRADING IN SHARES**

Trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 23 August 2010 at the request of the Company pending the release of this announcement. Application will be made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 27 August 2010.

## **PLACING AGREEMENT AND SUBSCRIPTION AGREEMENT**

### **1. The Placing**

#### ***Vendors:***

Best View Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, a Shareholder which owns 76,400,000 Shares, representing approximately 8.99% of the issued share capital of the Company as at date of this announcement.

Simple Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a Shareholder which owns 72,000,000 Shares, representing approximately 8.48% of the issued share capital of the Company as at date of this announcement.

#### ***Number of Placing Shares:***

The Placing Agent has agreed, on a best effort basis, to procure placees for the purchase of up to a maximum of 148,400,000 Placing Shares owned by the Vendors, representing approximately 17.47% of the issued share capital of the Company as at the date of this announcement; and, assuming the Placing Shares are fully placed under the Placing, approximately 14.87% of the issued share capital of the Company as enlarged by the allotment and issue of the same number of Subscription Shares under the Subscription.

#### ***Placees:***

The Placing Shares will be placed to not less than 6 placees, being professional, institutional or other investors selected by or on behalf of the Placing Agent on a best effort basis. Each of the Vendors, the Company and the Placing Agent shall use its best endeavours to ensure that the placees will be third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

#### ***Placing price:***

HK\$0.537 per Placing Share.

This price, which was fixed together with the other terms of the Placing Agreement and the Subscription Agreement, was agreed after arm's length negotiations between the Vendors, the Company and the Placing Agent with reference to recent market prices of the Shares. The price represents (i) a discount of 19.85% to the closing price of HK\$0.67 per Share as quoted on the Stock Exchange on the last trading day immediately preceding release of this announcement; (ii) a discount of approximately 3.24% to the average closing price of approximately HK\$0.555 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date immediately preceding the suspension of the trading of the Shares pending release of this announcement; and (iii) a discount of approximately 2.01% to the average closing price of

approximately HK\$0.548 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date immediately preceding the suspension of the trading of the Shares pending release of this announcement.

***Placing Agent and placing fee:***

Fortune (HK) Securities Limited

The Placing Agent is entitled to a placing fee of 3.75% of the aggregate placing price of the Placing Shares placed pursuant to the Placing Agreement. In addition, the Placing Agent shall receive a fixed administration and documentation fee of HK\$500,000.

***Independence of the Placing Agent***

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners, are third parties independent of the Company and connected persons of the Company (as defined in the Listing Rules).

***Completion of the Placing:***

Completion of the Placing is conditional upon:

- (a) the Subscription Agreement having been entered into by the parties thereto and not having been revoked, terminated or modified without the written consent of the Placing Agent (such consent shall not be unreasonably withheld);
- (b) there not having come to the attention of the Placing Agent at any time prior to completion (i) any material breach of any of the representations, warranties or undertakings of the Company or the Vendors, or (ii) any event rendering untrue, incorrect, misleading or breached in any material respect any of the representations, warranties or undertakings of the Company or the Vendors or (iii) any material breach of, or failure to perform, any of the other obligations of the Company or the Vendors which are required to be performed at or before completion;
- (c) from the date of the Placing Agreement up to completion, there not having occurred:
  - (i) any event, or series of events, beyond the reasonable control of the Placing Agent (including, without limitation, acts of government, strikes, labour disputes, lock-outs, fire, explosion, flooding, civil commotion, economic sanctions, epidemic, terrorism, acts of war and acts of God);
  - (ii) any material adverse change, or development (whether or not permanent) involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company or the Group as a whole, whether or not arising in the ordinary course of business;

- (iii) any change or any development (whether or not permanent) involving a prospective material adverse change or any crisis in local, national or international monetary, financial, economic, legal, taxation or political conditions (including, without limitation, conditions in the stock market, in the foreign exchange market, inter-bank market, money market and conditions with respect to interest rates in Hong Kong or otherwise) or foreign exchange controls in Hong Kong and overseas or any occurrence of a combination of any such changes or developments or crises or any deterioration of any such conditions;
- (iv) any local, national or international occurrence, outbreak or escalation of hostilities whether war had been declared or not, or insurrection or armed conflict (whether or not involving financial markets);

which, in the reasonable opinion of the Placing Agent, is likely to or may prejudice materially the Placing;

- (d) there not having developed, occurred or come into force the introduction of any new law or regulation or change in existing laws or regulations (or the judicial interpretation thereof) or any other similar event which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect on the business or financial condition of the Company; and
- (e) there not having been imposed any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to completion.

Completion of the Placing will take place on the 3rd business day after the execution of the Placing Agreement or such other date as the Vendors and the Placing Agent shall agree on.

**Completion of the Placing is subject to the satisfaction (or waiver of the Placing Agent) of the conditions in the Placing Agreement, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in Shares.**

***Rights of the Placing Shares:***

The Placing Shares will be sold by the Vendors free of liens, charges, encumbrances, claims, options and any third party rights and together with all rights attaching to the Placing Shares as at the date of completion of the Placing, including the right to receive all dividends and other distributions declared, made or paid in respect of the Placing Shares at any time after the date of the Placing Agreement.

***Company also a party to the Placing Agreement:***

The Company is also a party to the Placing Agreement. Under the Placing Agreement, the Company has given customary representations, warranties and undertakings in relation to the business of the Company and its subsidiaries, and certain other matters, in favour of the Placing

Agent; and has agreed to pay certain costs and expenses incurred in connection with the Placing (including documentation printing and publishing costs, placing fee, the costs of the Company's share registrar in Hong Kong and the costs of the legal advisers to the Placing Agent).

## **2. The Subscription**

### ***Subscribers:***

The Vendors

### ***Number of Subscription Shares***

The Company has agreed to allot and issue and the Vendors have agreed to subscribe for the Subscription Shares, subject to a maximum number of 148,400,000 new Shares, which have an aggregate nominal value of HK\$14,840,000 and represent approximately 17.47% of the issued share capital of the Company as at the date of this announcement; and approximately 14.87% of the issued share capital as enlarged by such Subscription Shares.

### ***Subscription price:***

HK\$0.537 per Subscription Share, which is equivalent to the price per Placing Share. The total subscription money to be paid by the Subscribers to the Company for the Subscription Shares will be the aggregate amount of the Subscription Price for the Subscription Shares, less the amount of the expenses in relation to the Placing paid by the Subscribers to the Placing Agent. The Subscription Agreement provides that all expenses incurred on the part of the Subscribers in respect of the Placing and the Subscription shall be borne by the Company.

## **MANDATE TO ALLOT AND ISSUE SUBSCRIPTION SHARES**

The Subscription Shares will be allotted and issued under the general mandate granted to the Directors by a resolution of the Shareholders passed at the annual general meeting of the Company held on 1 June 2010 subject to the limit of up to 20% of the then issued shares capital of the Company. Under the general mandate, the Company is authorised to issue up to 169,892,200 Shares. Up to the date of this announcement, no Shares have been issued under the general mandate. The Subscription and the issue of Subscription Shares are not subject to Shareholders' approval.

### **Ranking:**

The Subscription Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of allotment and issue of the Subscription Shares.

**Conditions of the Subscription:**

The Subscription is conditional upon:

- (a) completion of the Placing; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in all of the Subscription Shares and such listing and permission not being subsequently revoked prior to the delivery of definitive certificates of title representing the Subscription Shares.

**Completion of the Subscription:**

Completion of the Subscription will take place on the business day following the day on which the conditions referred to above are fulfilled, and in any event not later than 14 days after the date of the Subscription Agreement (or such later date as the Subscribers and the Company may agree in writing).

In the event that the conditions of the Subscription are not fulfilled within 14 days after the execution of the Subscription Agreement (or such later date as the Subscribers and the Company may agree in writing), the Subscription will lapse and all rights and obligations pursuant to the Subscription Agreement shall cease and terminate and none of the parties shall have any claim against the other.

**Completion of the Subscription is subject to the satisfaction of the conditions in the Subscription Agreement, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in Shares.**

## CHANGES TO THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE PLACING AND THE SUBSCRIPTION

The table below sets out the shareholding structure of the Company (i) as of the date of this announcement; (ii) as it would be immediately after completion of the Placing but before completion of the Subscription; and (iii) as it would be immediately after completion of the Placing and completion of the Subscription (assuming no conversion of the Convertible Notes and Convertible Bonds):

Shareholders Name	(i) As at the date of this announcement		(ii) Immediately after completion of the Placing but before completion of the Subscription		(iii) Immediately after completion of the Placing and completion of the Subscription	
	Shares	%	Shares	%	Shares	%
Best View Enterprises Limited	76,400,000	8.99%	—	0.00%	76,400,000	7.66%
Simple Success Investments Limited	72,000,000	8.48%	—	0.00%	72,000,000	7.22%
Charm Hero Investments Limited, Mr. Ngok Yan Yu and his associates ( <i>Note 1</i> )	76,594,205	9.02%	76,594,205	9.02%	76,594,205	7.67%
Other Directors (other than Mr. Ngok Yan Yu)	3,858,030	0.45%	3,858,030	0.45%	3,858,030	0.39%
Placees ( <i>Note 2</i> )	—	—	148,400,000	17.47%	148,400,000	14.87%
Other public Shareholders	<u>620,608,765</u>	<u>73.06%</u>	<u>620,608,765</u>	<u>73.06%</u>	<u>620,608,765</u>	<u>62.19%</u>
Total	<u>849,461,000</u>	<u>100%</u>	<u>849,461,000</u>	<u>100%</u>	<u>997,861,000</u>	<u>100%</u>

*Note:*

1. These Shares include 76,344,205 Shares held by Charm Hero Investments Limited, a wholly owned subsidiary of Mensun Limited (which is controlled by Mr. Ngok Yan Yu, chairman and executive Director of the Company) and 250,000 Shares held by the spouse of Mr. Ngok Yan Yu.
2. It is assumed that 148,400,000 Placing Shares will be placed under the Placing and the same number of new Shares will be issued under the Subscription.

The table below sets out the shareholding structure of the Company (i) as of the date of this announcement; (ii) as it would be immediately after completion of the Placing but before completion of the Subscription; and (iii) as it would be immediately after completion of the Placing and completion of the Subscription (and assuming full conversion of the outstanding Convertible Notes and Convertible Bonds and assuming no adjustment to the respective conversion prices):

Shareholders Name	(i) As at the date of this announcement		(ii) Immediately after completion of the Placing but before completion of the Subscription		(iii) Immediately after completion of the Placing and completion of the Subscription (assuming full conversion of the outstanding Convertible Notes and Convertible Bonds and with no adjustment to the respective conversion prices)	
	Shares	%	Shares	%	Shares	%
	Best View Enterprises Limited	76,400,000	8.99%	—	0.00%	76,400,000
Simple Success Investments Limited	72,000,000	8.48%	—	0.00%	412,338,983	28.95%
Charm Hero Investments Limited, Mr. Ngok Yan Yu and his associates ( <i>Note 1</i> )	76,594,205	9.02%	76,594,205	9.02%	76,594,205	5.38%
Other Directors (other than Mr. Ngok Yan Yu)	3,858,030	0.45%	3,858,030	0.45%	3,858,030	0.27%
Holder of the outstanding Convertible Notes (other than Simple Success)	—	—	—	—	23,728,813	1.67%
Holder of the outstanding Convertible Bonds	—	—	—	—	62,400,000	4.38%
Placees ( <i>Note 2</i> )	—	—	148,400,000	17.47%	148,400,000	10.42%
Other Public	<u>620,608,765</u>	<u>73.06%</u>	<u>620,608,765</u>	<u>73.06%</u>	<u>620,608,765</u>	<u>43.57%</u>
Total	<u>849,461,000</u>	<u>100%</u>	<u>849,461,000</u>	<u>100%</u>	<u>1,424,328,796</u>	<u>100%</u>

*Note:*

1. These Shares include 76,344,205 Shares held by Charm Hero Investments Limited, a wholly owned subsidiary of Mensun Limited (which is controlled by Mr. Ngok Yan Yu, chairman and executive Director of the Company) and 250,000 Shares held by the spouse of Mr. Ngok Yan Yu.
2. It is assumed that 148,400,000 Placing Shares will be placed under the Placing and the same number of new Shares will be issued under the Subscription.

3. As at the date of the Placing Agreement, the Company also has options outstanding which entitle their holders to subscribe for an aggregate of 4,987,866 new Shares, which would represent approximately 0.59% of the issued share capital of the Company assuming completion of both the Placing and the Subscription and approximately 0.58% of that share capital as enlarged by the issue of new Shares on exercise of the options. The options have not been taken into account for the purposes of preparing the tables above.

## **ADJUSTMENT OF THE CONVERSION PRICE UNDER THE CONVERTIBLE BONDS AND THE CONVERTIBLE NOTES**

The terms of the instruments constituting the Convertible Notes and Convertible Bonds require adjustments to the respective conversion prices for consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distributions, issue of new Shares and other securities by way of rights. Further announcement containing details of the adjusted conversion prices will be made if and when appropriate. Please note that the percentage shareholdings given in the tables in this announcement do not take into account any required adjustment to the conversion price under the Convertible Bonds and Convertible Notes as a result of the Subscription, but the impact of that is not expected to be material.

## **REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS**

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms (including the placing fee) of the Placing Agreement and the terms of the Subscription Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Shareholders as a whole are concerned.

Assuming that the Placing Shares are fully paid under the Placing:

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$80 million;
- (ii) the net proceeds, after deducting related placing fee, professional fees and all related expenses which may be borne by the Company, from the Subscription are estimated to be approximately HK\$76 million;
- (iii) the net price per Subscription Share is approximately HK\$0.513.

The Company intends to use the net proceeds as general working capital and for repayment of loans of the Group.

## **GENERAL INFORMATION**

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on the Main Board of the Stock Exchange with effect from 13 July 2006. The principal activities of the Company and its subsidiaries are the manufacture and sales of apparel and accessories, and waste-to-energy technology and services,

a sector which the Company specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC.

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

The following table summaries the fund raising activities of the Company in the last 12 months immediately before the date of this announcement:

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
1 April 2010	Top up placing of 76,400,000 new Shares under general mandate	HK\$147.8 million	To be used for the general working capital of the Group	Used as intended
29 January 2010	Issue of HK\$156 million in principal amount of convertible bonds and placing of 9,341,000 new Shares under specific mandate	HK\$167.6 million	To be used for development of the waste to energy project in the PRC and as general working capital of the Group	Used as intended
24 November 2009	Placing of 25,000,000 new Shares under general mandate	HK\$63.5 million	To be used for strengthening the Company's capital	Used as intended
27 August 2009	Placing of 29,900,000 new Shares under general mandate	HK\$16.91 million	To be used for the general working capital of the Group	Used as intended

Save as disclosed above, there has not been any other fund raising activities in the last 12 months immediately before the date of this announcement.

## **APPLICATION FOR LISTING**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

## **RESUMPTION OF TRADING IN SHARES**

Trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 23 August 2010 at the request of the Company pending the release of this announcement. Application will be made to the Stock Exchange for the resumption of trading in Shares with effect from 9:30 a.m. on 27 August 2010.

## **DEFINITIONS**

In this announcement, the following expressions have the meaning as set out below unless the context requires otherwise:

“associates”	having the meaning ascribed thereto in the Listing Rules unless otherwise specified
“Board”	the Board of Directors
“Company”	New Environmental Energy Holdings Limited
“connected person(s)”	having the meaning ascribed thereto in the Listing Rules
“Convertible Bonds”	the zero coupon guaranteed convertible bonds due 2015, which are convertible into shares of the Company or shares of Smartview Investment Holdings Ltd. (a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company) as described in the Company’s announcements dated 29 January 2010 and 13 April 2010, respectively
“Convertible Notes”	the convertible notes of the Company issued to Simple Success Investments Limited and Bright Good Limited on 11 December 2009 in satisfaction of part of the consideration for the Group’s acquisition of the entire issued share capital of Smartview Investment Holdings Ltd., as described in the Company’s announcement dated 23 September 2009 and circular dated 23 November 2009
“Directors”	directors of the Company
“Group”	collectively, the Company and its subsidiaries for the time being
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Committee”	the listing sub-committee of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Fortune (HK) Securities Limited, a licensed corporation to carry on Type 1 (Dealing in securities) regulated activity under the SFO
“Placing Agreement”	the placing agreement dated 26 August 2010 entered into between the Company, the Vendors and the Placing Agent in relation to the Placing
“Placing Shares”	a maximum of 148,400,000 Placing Shares which may fall to be allotted and issued upon the Placing pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Vendors pursuant to the terms of the Subscription Agreement
“Subscription Shares”	new Shares to be issued to the Vendors pursuant to the Subscription Agreement, the number of which shall be the same as that of the Placing Shares actually placed under the Placing pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 August 2010 entered into between the Company and the Vendors relating to the Subscription
“subsidiary”	shall have the meaning as prescribed under the Companies Ordinance, Cap 32, of the laws of Hong Kong and “subsidiaries” shall be construed accordingly

“Vendors” or  
“Subscribers” Best View Enterprises Limited and Simple Success Investments Limited, each  
a company incorporated in the British Virgin Islands with limited liability

“%” per cent

By order of the Board of  
**New Environmental Energy Holdings Limited**  
**Chan Tak Yan**  
*Executive Director*

Hong Kong, 26 August 2010

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