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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: 03989)

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

THE SUBSCRIPTION AGREEMENT

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

THE ACQUISITION AGREEMENT

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

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

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

Accordingly, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided to 2,000,000,000 Shares of HK\$0.1 each to HK\$600,000,000 divided to 6,000,000,000 Shares of HK\$0.1 each by the creation of an additional 4,000,000,000 unissued Shares of HK\$0.1 each in order to cater for the allotment and issue of the Conversion Shares. The Authorised Share Capital Increase is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

SPECIFIC MANDATE TO ISSUE NEW SHARES

A specific mandate for the issue of 250,000,000 new Shares will be sought in the EGM to cater for the issue of the Conversion Shares.

GENERAL

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

The Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders by way of poll at the EGM. The Subscriber, the Vendor and its associates will abstain from voting in the EGM for the approval of the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder. As at the date of this announcement, the Subscriber, the Vendor and their respective associates are interested in 299,022,000 Shares, representing approximately 19.27% of the issued share capital of the Company.

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

An independent board committee will be established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the Subscription Agreement are fair and reasonable and whether the Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account of the recommendation of an independent financial adviser. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder, the terms of the Convertible Bond, the Authorised Share Capital Increase, a notice convening the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 30 December 2011 to allow for sufficient time for the preparation of information to be included in the circular.

As the Subscription and the Acquisition are conditional upon fulfilment of certain conditions precedent as set out in the Subscription Agreement and the Acquisition Agreement, the Subscription and the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

THE SUBSCRIPTION AGREEMENT

Date

6 December 2011

Parties

- (i) Issuer: the Company; and
- (ii) Subscriber: Beijing Capital (Hong Kong) Limited.

The Subscription

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

Conditions precedent

Completion of the Subscription Agreement is conditional upon, among other things, the following conditions being fulfilled (or waived by the relevant party in writing) on or before 30 June 2012:

- (a) the Listing Committee of the Stock Exchange having granted:
 - i. the listing of and the permission to deal in all Conversion Shares that fall to be issued upon the exercise in full of the conversion rights attaching to the Convertible Bond; and
 - ii. if required, approval for the issue of the Convertible Bond;
- (b) the authorised share capital of the Company having been increased from HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.1 each to HK\$600,000,000 divided into 6,000,000,000 Shares of HK\$0.1 each;

- (c) the passing by the Independent Shareholders at the EGM an ordinary resolution approving the Subscription Agreement and the transactions contemplated hereunder including but not limited to the Authorised Share Capital Increase, the issue of the Convertible Bond and the grant of the specific mandate to the Directors to allot and issue the Conversion Shares;
- (d) evidence showing that the passing by the Directors a resolution approving and authorising (i) the Authorised Share Capital Increase; (ii) the execution of the Subscription Agreement; (iii) the issue of the Convertible Bond and the certificate in respect thereof upon the terms and subject to the conditions contained therein; and (iv) the entry of the name of the Subscriber or its nominee into the register of Bondholders as the holder of the Convertible Bond;
- (e) evidence showing that the passing by the directors of the Subscriber resolutions and all other necessary approvals having been obtained by the Subscriber, approving and authorising (i) the execution of the Subscription Agreement; and (ii) the acceptance of the Convertible Bond and the certificate in respect thereof upon the terms and subject to the conditions contained therein;
- (f) all consents and approvals of, notices to and filings and registration with any approval authorities or any other person, in connection with the Subscription Agreement and the transactions contemplated hereunder having been obtained or effected;
- (g) the warranties made by the Company set out in the Subscription Agreement remaining true and accurate and not misleading in all respects as at completion of the Subscription Agreement; and
- (h) the warranties made by the Subscriber set out in the Subscription Agreement remaining true and accurate and not misleading in all respects as at completion of the Subscription Agreement.

If any of the above conditions precedent is not fulfilled (or waived by the relevant party in writing, which waiver if granted may be subject to such conditions as such party deems fit) at or before 5:00 p.m. (Hong Kong time) on or before 30 June 2012 or such other time and/or date as the Company and Subscriber shall mutually agree, the Subscription Agreement shall forthwith become null and void and cease to have any effect whatsoever and neither party shall have any claims against the other for costs, damages, compensations or otherwise (save for liabilities for any antecedent breaches) of the Subscription Agreement.

Completion

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

THE CONVERTIBLE BOND

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

Principal amount

HK\$100,000,000

Interest

The Convertible Bond shall not bear any interest.

Maturity

31 December 2014

Conversion Price

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

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

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

Conversion Shares

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

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

Conversion

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

Early redemption

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

Events of default

The Convertible Bond will contain events of default provisions which provide that on the occurrence of certain events of default specified in the conditions of the Convertible Bond (e.g. default of the Company in the performance or observance of or compliance with its obligations set out in the Subscription Agreement, insolvency and liquidation), each of the holders of the Convertible Bond shall be entitled to demand for immediate redemption of the principal amount of outstanding Convertible Bond.

Undertakings

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

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

The Convertible Bond constitutes a direct, unconditional, secured and unsubordinated obligation of the Company and ranks *pari passu* and rateably without preference with all other secured and unsubordinated obligations of the Company. The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares and shall be entitled to all dividends and other distributions.

Transferability

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

USE OF NET PROCEEDS

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

REASONS FOR THE SUBSCRIPTION

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

The Subscription, if completed, will provide additional financial resources to the Group for capital expenditures to acquire suitable business projects and working capital. The terms and conditions of the Subscription Agreement have been agreed at after arm's length negotiations between the Company and the Subscriber. The Directors (other than the independent non-executive Directors who will provide their opinion after taking into account the advice from the independent financial adviser) consider that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

Notes:

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

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The table below sets out the details of the equity fund raising activities of the Company conducted during the past twelve months from the date of this announcement including the actual use of proceeds obtained there from. All of the funds raised within the past 12 months have been utilised or reserved as intended.

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

THE ACQUISITION AGREEMENT

Date

6 December 2011

Parties

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

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

Assets to be acquired

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

The Consideration

The Consideration shall be RMB51.0 million (equivalent to approximately HK\$62.4 million) which shall be satisfied by cash. 30% of the Consideration (being RMB15.3 million, equivalent to approximately HK\$18.7 million) shall be payable 15 days after the transfer of Sale Shares from the Vendor to the Purchaser (the "Transfer"). The remaining 70% of the Consideration (being RMB35.7 million, equivalent to approximately HK\$43.70 million) shall be payable 60 days after the Transfer.

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

Conditions precedent

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

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

In the event that the above conditions precedent cannot be fulfilled or waived by the Purchaser (as the case may be) on or before 31 December 2012 (or such other dates or times as agreed between the Vendor and the Purchaser in writing), the Acquisition Agreement shall be automatically terminated forthwith and cease to be of any effect on the parties to the Acquisition Agreement.

Completion

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

INFORMATION ON THE TARGET COMPANY AND THE VENDOR

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

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

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

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

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

REASONS FOR THE ACQUISITION

The Company acts as an investment holding company. The Group is principally engaged in trading of apparel and accessories, provision of waste treatment technologies and services which specialises in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Due to the anticipated adverse operating conditions of the trading of apparel and accessories business segment, the Company plans to dispose such business segment (the "Disposal"), details of which are set out in the announcement of the Company dated 2 December 2011. The Disposal constitutes a major transaction of the Company. As at the date of this announcement, the Disposal is yet to be completed pending, among others, the obtaining of the Shareholders' approval at the extraordinary general meeting to be held for approving the Disposal.

The Group has been exploring investment opportunities in waste treatment and infrastructure businesses. The Directors consider that the Acquisition is a good opportunity for the Group to invest in waste treatment and infrastructure businesses with an aim to strengthen the Group's revenue base and to enhance Shareholders' value.

In view of the above, the Directors (excluding the independent non-executive Directors who will provide their opinions after taking into account the advice from the independent financial adviser) consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the existing authorised share capital of the Company is HK\$200,000,000 divided to 2,000,000,000 Shares, of which 1,551,881,039 Shares have been issued and 235,796,460 Shares shall be issued upon the conversion of the existing convertible notes and convertible bonds issued by the Company. As such, the number of Shares which the Company may issue and allot under the existing authorised share capital of the Company is insufficient to cover the issue of the Conversion Shares, if the conversion right attached thereto is to be exercised fully.

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

SPECIFIC MANDATE TO ISSUE NEW SHARES

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

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

GENERAL

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

The Acquisition Agreement, the Subscription Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders by way of poll at the EGM. The Subscriber, the Vendor and its associates will abstain from voting in the EGM for the approval of the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder. As at the date of this announcement, the Subscriber, the Vendor and their respective associates are interested in 299,022,000 Shares, representing approximately 19.27% of the issued share capital of the Company.

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

An independent board committee will be established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement and the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendation of an independent financial adviser. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in this regard.

A circular containing, among other things, details of the Subscription Agreement, the Acquisition Agreement and the transactions contemplated thereunder, the terms of the Convertible Bond, the Authorised Share Capital Increase, a notice convening the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 30 December 2011 to allow for sufficient time for the preparation of information to be included in the circular.

As the Subscription and the Acquisition are conditional upon fulfillment of certain conditions precedent as set out in the Subscription Agreement and the Acquisition Agreement, the Subscription and the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, the following terms shall have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor at the Consideration pursuant to terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 5 December 2011 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Authorised Share Capital Increase”	the proposed increase in the existing authorised share capital of the Company from HK\$200,000,000 divided to 2,000,000,000 Shares to HK\$600,000,000 divided to 6,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder”	the holder of the Convertible Bond
“Company”	New Environmental Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules

“Consideration”	the consideration for the Sale Shares of RMB51.0 million (equivalent to approximately HK\$62.4 million) payable by the Purchaser to the Vendor
“Conversion Period”	the period commencing from 1 May 2012 and ending upon the Maturity Date
“Conversion Price”	the conversion price of HK\$0.40 per Conversion Share
“Conversion Shares”	new Shares which may fall to be issued upon exercise of the conversion right under the Convertible Bond
“Convertible Bond”	the convertible bond in the principal amount of HK\$100 million to be issued by the Company to the Subscriber
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders and/or the Shareholders (as the case may be) to consider and, if thought fit, approve, among other things, the Acquisition Agreement, the Subscription Agreement, the Authorised Share Capital Increase, and the transactions contemplated thereunder, and the grant of the specific mandate to the Directors to issue and allot the Conversion Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholder(s)”	the shareholder(s) of the Company other than the Subscriber, the Vendor and their respective associates and any Shareholders who are involved in or interested in the Subscription and on the Acquisition
“Last Trading Day”	5 December 2011, being the last trading day immediately before the issue of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the maturity date of the Convertible Bond, being 31 December 2014
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Principal Amount”	the principal amount of the Convertible Bond of HK\$100,000,000
“Purchaser”	揚州百瑪士環保產業發展有限公司(Yangzhou Biomax Environmental Development Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Shares”	100% equity interest in the Target Company
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Beijing Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder of the Company
“Subscription”	the subscription of the Convertible Bond pursuant to the terms and conditions set out in the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 6 December 2011 entered into between the Company and the Subscriber in relation to the Subscription
“Target Company”	醴陵首創垃圾綜合處理有限責任公司(Lining Beijing Capital Waste Treatment Company Limited*), a company incorporated in the PRC with limited liability
“Vendor”	株洲首創水務有限責任公司 (Zhuzhou Beijing Capital Water Treatment Company Limited*), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

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

Hong Kong, 6 December 2011

As at the date of this announcement, the Board comprises five executive directors; namely, Mr. Yu Chang Jian, Mr. Liu Xiao Guang, Mr. Cao Guo Xian, Mr. Marcello Appella, and Mr. Tang Zhi Bin; one non-executive director; namely, Mr. Lim Jui Kian; one alternate non-executive director; namely Mr. Cai Qiao Herman (alternate director to 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.

* *For identification purpose only*