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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

Placing Agent



Quam Securities Company Limited

On 19 October 2012 (after trading hours), the Subscriber, the Company and the Placing Agent entered into the Placing and Subscription Agreement pursuant to which (i) the Placing Agent has agreed to place, on a best effort basis, and the Subscriber has agreed to sell, up to a maximum number of 183,132,000 existing Shares at a price of HK\$0.45 per Placing Share; and (ii) the Subscriber has conditionally agreed to subscribe for the Subscription Shares, subject to a maximum number of 183,132,000 new Shares, which is equivalent to the number of the Placing Shares. The Subscription is conditional upon the conditions as set out under the paragraph headed “Conditions of the Subscription”.

The Shares to be placed by the Placing Agent represent (i) approximately 10.91% of the existing issued share capital of the Company; and (ii) approximately 9.83% 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, at the same price as the Placing Price.

The Subscription Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM of the Company. On the basis that the Placing Shares will be placed under the Placing and the same number of Subscription Shares will be subscribed for by the Subscriber under the Placing and Subscription Agreement, the gross proceeds from the Subscription will be approximately HK\$82.4 million. The net proceeds from the Subscription will be approximately HK\$80.6 million. The net price per Subscription Share will be approximately HK\$0.44. The Company intends to use the net proceeds as general working capital of the Group.

THE PLACING AND SUBSCRIPTION AGREEMENT

Date

19 October 2012 (after trading hour)

Parties Involved

The Subscriber, the Company and the Placing Agent

Subscriber

Simple Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a Shareholder which beneficially owns 270,760,000 Shares, representing approximately 16.125% of the existing issued share capital of the Company as at the date of the Placing and Subscription Agreement.

Number of Placing Shares

The Placing Agent has agreed to, on a best effort basis, procure placee(s) to acquire up to a maximum number of 183,132,000 existing Shares held by the Subscriber, representing approximately 10.91% of the existing issued share capital of the Company and approximately 9.83% of the issued share capital of the Company as enlarged by allotment and issue of the same number of the Subscription Shares under the Subscription.

Rights of the Placing Shares

The Placing Shares will be sold by the Subscriber free from liens, charges, encumbrances, claims, options and any third party rights and together with all rights attaching to them as at the date of completion of the Placing, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Placing Shares, the record date for which shall fall on or after the date of completion of the Placing.

Placing price

The Placing Price, which was fixed together with the other terms of the Placing and Subscription Agreement, was agreed after arm's length negotiations among the Subscriber, the Company and the Placing Agent with reference to recent market prices of the Shares and prospect of the Group. The Placing Price of HK\$0.45 represents:

- (i) a premium of approximately 28.57% over the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on 19 October 2012 (being the last trading date prior to the publication of this announcement);
- (ii) a premium of approximately 29.31% over the average closing price per Share of approximately HK\$0.348 as quoted on the Stock Exchange for the last five consecutive trading days up to and including 19 October 2012 (being the last trading date prior to the publication of this announcement); and
- (iii) a premium of approximately 27.48% over the average closing price per Share of approximately HK\$0.353 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 19 October 2012 (being the last trading date prior to the publication of this announcement).

Placee

The Placing Agent has procured four Placees, namely (i) Favor Action Limited to purchase 110,000,000 Placing Shares at the Placing Price; (ii) Meng Lu to purchase 22,000,000 Placing Shares at the Placing Price; (iii) Zhang De Peng to purchase 25,566,000 Placing Shares at the Placing Price and (iv) Yan Dong Shi to purchase 25,566,000 Placing Shares at the Placing Price.

Favor Action Limited is a company incorporated in the British Virgin Islands with limited liability, who and whose ultimate beneficial owner, Mr. Yang Zhi You, are Independent Third Parties. Each of the other Placees, namely Meng Lu, Zhang De Peng and Yan Dong Shi is an Independent Third Party.

Placing Agent and placing fee

The Placing Agent is entitled to a placing fee (the “Placing Fee”) of 2% of the amount equal to the Placing Price multiplied by the actual number of Placing Shares placed under the Placing.

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 Independent Third Parties.

Completion of the Placing

Completion of the Placing will take place on the Placing Completion Date or such other time as the Subscriber and the Placing Agent shall agree in writing.

Number of Subscription Shares

The Company has agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for the Subscription Shares, subject to a maximum number of 183,132,000 new Shares, which is equivalent to the number of the Placing Shares placed under the Placing. The Subscription Shares, if subscribed in full, have an aggregate nominal value of HK\$18,313,200 and represent approximately 10.91% of the existing issued share capital of the Company; and approximately 9.83% of the issued share capital as enlarged by such Subscription Shares.

Subscription price

HK\$0.45 per Subscription Share, which is equivalent to the Placing Price. The Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the Placing Price. The Placing and Subscription Agreement provides that all expenses incurred on the part of the Subscriber in connection with the Placing and Subscription shall be borne by the Company. The net Subscription Price, after deduction of relevant expenses, is approximately HK\$0.44 per Subscription Share.

Mandate to allot and issue Subscription Shares

The Subscription and the issue of the Subscription Shares will not be subject to Shareholders’ approval. The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM which authorised the Directors to allot and issue a maximum of 310,376,207 Shares. Up to the date

of this announcement, 127,244,000 Shares have been issued under the General Mandate and the total number of new Shares that can be allotted and issued under the General Mandate is therefore 183,132,207 Shares.

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 completion of the Subscription is conditional upon:

- (a) the Company obtaining the approval granted by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares (and such permission and listing not being subsequently revoked prior to the delivery of definitive certificate(s) representing the Subscription Shares under the Placing and Subscription Agreement;
- (b) the Company obtaining all necessary approvals, authorisations, consents or permissions granted by the Stock Exchange, SFC and any other regulatory or governmental authorities in Hong Kong and all other applicable jurisdictions in respect of entering into the Placing and Subscription Agreement and the transactions contemplated therein and no such approvals, authorisations, consents or permission having been revoked;
- (c) the completion of the Placing pursuant to the Placing and Subscription Agreement.

Completion of the Subscription:

Completion of the Subscription will take place on the business day following the day on which all the conditions referred to above are fulfilled, and in any event not later than 14 days after the date of the Placing and Subscription Agreement.

In the event that the conditions of the Subscription are not fulfilled within 14 days after the execution of the Placing and Subscription Agreement, all rights, obligations and liabilities of the parties in relation to the Subscription shall be null and void and none of the parties shall have any claim against the other in respect of the Subscription.

APPLICATION FOR LISTING

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

Completion of the Subscription is subject to the satisfaction of the conditions in the Placing and 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 but before completion of the Placing; (ii) immediately after completion of the Placing but before completion of the Subscription; and (iii) immediately after completion of the Placing and the Subscription (in each case assuming that there is no other change in the issued share capital of the Company from the date of this announcement except for the issue of the Subscription Shares):

Shareholders of the Company	As at the date of this announcement		Immediately after completion of the Placing but before completion of the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Beijing Capital (Hong Kong) Limited (<i>Note 1</i>)	299,022,000	17.81	299,022,000	17.81	299,022,000	16.06
BC Water Investments Co., Ltd. (<i>Note 1</i>)	9,284,000	0.55	9,284,000	0.55	9,284,000	0.50
Simple Success Investments Limited (<i>Note 2</i>)	270,760,000	16.13	87,628,000	5.22	270,760,000	14.54
Best View Enterprises Limited (<i>Note 3</i>)	221,308,205	13.18	221,308,205	13.18	221,308,205	11.88
Sycomore Limited, Appella Marcello and his associates (<i>Note 4</i>)	3,588,030	0.21	3,588,030	0.21	3,588,030	0.19
Year Good Group Limited	127,244,000	7.58	127,244,000	7.58	127,244,000	6.83
Favor Action Limited	—	—	110,000,000	6.55	110,000,000	5.91
Meng Lu	—	—	22,000,000	1.31	22,000,000	1.18
Zhang De Peng	—	—	25,566,000	1.52	25,566,000	1.37
Yan Dong Shi	—	—	25,566,000	1.52	25,566,000	1.37
Other public Shareholders	747,918,804	44.54	747,918,804	44.54	747,918,804	40.16
Total	<u>1,679,125,039</u>	<u>100</u>	<u>1,679,125,039</u>	<u>100</u>	<u>1,862,257,039</u>	<u>100</u>

Notes:

- (1) These Shares are held by Beijing Capital (Hong Kong) Limited and BC Water Investments Co., Ltd. respectively, which are wholly-owned subsidiaries of Beijing Capital Co., Ltd..
- (2) These Shares are held by Simple Success Investments Limited, which is a wholly-owned subsidiary of New World Strategic Investment Limited, which is in turn wholly-owned by New World Development Company Limited. Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited hold 49% and 40.2% interests in Chow Tai Fook Capital Limited, respectively. Chow Tai Fook Capital Limited in turn owns 74.1% interest in Chow Tai Fook (Holding) Limited which holds the entire interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited.
- (3) These Shares are held by Best View Enterprises Limited, which is wholly owned by Chow Tai Fook Nominee Limited, which is in turn controlled by Dato' Dr. Cheng Yu Tung.
- (4) These Shares are held by Sycomore Limited, which is owned as to 50% by Mr. Marcello Appella, an executive Director of the Company, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella.

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the terms of the Placing and the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

- (i) the gross proceeds from the Subscription are estimated to be approximately HK\$82.4 million;
- (ii) the net proceeds, after deducting the Placing Fee, professional fees and all related expenses which may be borne by the Company, from the Subscription are estimated to be approximately HK\$80.6 million;
- (iii) the net price per Subscription Share is approximately HK\$0.44.

The Company intends to use the net proceeds as general working capital of the Group.

GENERAL INFORMATION

The principal activities of the Company and its subsidiaries are provision of waste treatment technologies and services which specialize in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects in the PRC.

Fund raising activities during the past twelve months

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

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
3 August 2012	Placing of existing shares and subscription of new shares under the general mandate	HK\$48.77 million	As general working capital and for repayment of loans of the Group	used as intended
6 December 2011	Issue of convertible bond	HK\$48.4 million has been raised and the balance of HK\$48.4 million to be raised	Investment in any potential waste treatment or environmental-friendly energy development projects and general working capital of the Company	The fund raised was used as general working capital and the balance has yet to be completed

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.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 1st June 2012
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays) on which banks are generally open for business in Hong Kong other than a “general holiday” as defined in Section 2 of the General Holidays Ordinance (Chapter 149 of the Laws of Hong Kong), or one of the days specified from time to time in the Schedule to that Ordinance as being “general holidays” under Section 3 thereof or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“Company”	New Environmental Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3989)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the director(s) of the Company
“General Mandate”	the mandate granted to the Directors by resolution of the Shareholders passed at the AGM to allot and issue up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who are not connected person(s) (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placees”	Favor Action Limited, Meng Lu, Zhang De Peng and Yan Dong Shi procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligation under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent pursuant to the terms and subject to the conditions of the Placing and Subscription Agreement
“Placing Agent”	Quam Securities Company Limited, a licensed corporation to carry on Types 1, 2, 4, 6 and 9 regulated activities under the SFO
“Placing and Subscription Agreement”	the placing and subscription agreement among the Company, Simple Success and the Placing Agent dated 19 October 2012 in relation to the Placing and Subscription
“Placing Completion Date”	the second Business Day after the Trade Date or such other time as the Subscriber and the Placing Agent shall agree in writing
“Placing Price”	the placing price of HK\$0.45 per Placing Share
“Placing Shares”	up to a maximum number of 183,132,000 Shares in the issued share capital of the Company which are legally and beneficially owned by Simple Success and to be sold by Simple Success pursuant to terms of the Placing and Subscription 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”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Simple Success pursuant to the terms of the Placing and Subscription Agreement
“Subscription Shares”	new Shares to be issued and allotted to Simple Success pursuant to the Placing and Subscription Agreement, the number of which shall be the same as that of the Placing Shares
“Subscriber” or “Simple Success”	Simple Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability

“Trade Date” the date when the transfer of the Placing Shares is (i) executed and reported as a cross-trade to the Stock Exchange or, (ii) if dealings in the Shares on the Stock Exchange are suspended, the first day on which dealings resume and the cross-trade can be reported to the Stock Exchange in accordance with the Listing Rules, or such other date as the Subscriber and the Placing Agent may agree in writing

“%” per cent

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

Hong Kong, 19 October 2012

As at the date of this announcement, the Board comprises six executive directors, namely Mr. Yu Chang Jian, Mr. Cao Guo Xian, Mr. Liu Xiao Guang, Mr. Marcello Appella, Mr. Tang Zhi Bin and Mr. Xue Huixuan; one non-executive director, namely Mr. Lim Jui Kan; 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. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun and Ms. Chan Yee Wah, Eva.