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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)

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE; APPLICATION FOR WHITEWASH WAIVER AND SPECIAL DEALS CONSENT AND RESUMPTION OF TRADING

Financial adviser to New Environmental Energy Holdings Limited



PROPOSED RIGHTS ISSUE AND UNDERWRITING ARRANGEMENTS

The Company proposes to issue not less than 2,793,385,557 Rights Shares (assuming no outstanding Share Options, Convertible Bond I and Convertible Note II has been exercised/converted before the Record Date) but not more than 2,918,276,793 Rights Shares (assuming all outstanding Share Options, Convertible Bond I and Convertible Note II have been exercised/converted in full before the Record Date) at the Subscription Price of HK\$0.20 per Rights Share on the basis of three Rights Shares for every two existing Shares in issue and held on the Record Date. The proposed Rights Issue is intended to raise not less than approximately HK\$558.7 million but not more than approximately HK\$583.7 million, before expenses. The Rights Issue is only available to the Qualifying Shareholders. The Qualifying Shareholders may apply for any unsold entitlements of the Excluded Shareholders, any unsold fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares.

The Company plans to use the net proceeds from the Rights Issue for repayment of debt, funding of mergers and acquisitions and other investments to be identified by the Company, and for the general working capital of the Group.

The Underwriter has irrevocably undertaken to the Company that (i) it will remain the beneficial and registered owner of at least the number of Principal Shares; (ii) it will take up and accept the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:00 p.m. on the Final Acceptance Date; and (iii) it will not dispose of or transfer or exercise any of the convertible rights under both the Convertible Bond II and Convertible Note I held by it on or before the Final Acceptance Date.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to, on a fully underwritten basis, subscribe or procure subscribers to subscribe for all of the Underwritten Shares not taken up by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares and shall procure to be paid to the Company the Subscription Price in respect thereof. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “Underwriting arrangements for the Rights Issue” in this announcement.

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by 4:00 p.m. on Thursday, 2 May 2013. It is expected that the last day of dealings in the Shares on a cum-rights basis is Monday, 29 April 2013 and the Shares will be dealt with on an ex-rights basis from Tuesday, 30 April 2013.

IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE

Listing Rules implications

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of this announcement, the Rights Issue is conditional on the approval by the Independent Shareholders at the EGM by way of poll.

Whitewash Waiver

The Underwriter and parties acting in concert with it are beneficially interested in 308,306,000 Shares, representing approximately 16.56% of the issued share capital of the Company as at the date of this announcement. If the Underwriter is required to take up any Rights Shares pursuant to its underwriting commitment in connection with the Rights Issue and/or pursuant to its application for any excess Rights Shares that may be accepted by the Company, the Underwriter may trigger an obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code. For illustration purpose only, based on the maximum number of 2,918,276,793 Rights Shares proposed to be issued, upon completion of the Rights Issue, assuming that (i) no Qualifying Shareholders (other than the Underwriter) takes up any Rights Shares; and (ii) the number of issued Shares remains unchanged (save for the full exercise of the Share Option and the full conversion of the Convertible Bond I and the Convertible Note II), the Underwriter pursuant to the Underwriting Agreement will be required to subscribe for 2,918,276,793 Rights Shares, which will result in the Underwriter and parties acting in concert with it beneficially interested in 3,226,582,793 Shares, representing approximately 66.34% of the enlarged issued share capital of the Company upon completion of the Rights Issue, thereby triggering an obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it.

In this regard, an application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Right Issue will lapse and will not proceed.

Special deals

Pursuant to the Underwriting Agreement, the Underwriter has agreed with and instructed the Company to set off the total Subscription Price of the Rights Shares to be subscribed under the Rights Issue up to HK\$177,000,000 against the outstanding principal amount of the Convertible Note I, subject to the Rights Issue becoming unconditional and conditions (a)(iii) and (c) under paragraph headed “Conditions of the Rights Issue” having been fulfilled and not waived by the Underwriter. The Underwriter will pay the balance, if any, in cash. Given that the Underwriter is a substantial Shareholder and that the Set-off Arrangement is not extended to all Shareholders, for the purpose of applying for the Whitewash Waiver, the Set-off Arrangement constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

It is intended that part of the net proceeds from the Rights Issue will be used to repay certain debts of the Group, which may include the Convertible Bond I. The holder of the Convertible Bond I, Waste Resources G.P. Limited is a Shareholder holding 9,341,000 Shares, representing approximately 0.5% of the issued share capital of the Company as at the date of this announcement. Given that the holder of the Convertible Bond I is a Shareholder and that the possible repayment of the Convertible Bond I is not extended to all Shareholders, for the purpose of applying for the Whitewash Waiver, the possible repayment of the Convertible Bond I constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The Special Deals are subject to the consent of the Executive, which shall be conditional upon the approval of the Independent Shareholders by way of poll at the EGM and the independent financial adviser to the Independent Shareholders publicly states in its opinion that the Special Deals are fair and reasonable. The Company will make an application to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Special Deals.

The Underwriter, Waste Resources G.P. Limited and parties acting in concert with any of them and those who are involved in or interested in the Whitewash Waiver and/or the Special Deals and their respective associates are required by the Listing Rules or the Takeovers Code to abstain for voting on the proposed resolution(s) approving the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder at the EGM. The register of members of the Company will be closed from Tuesday, 23 April 2013 to Friday, 26 April 2013, both dates inclusive, to determine the identity of the Shareholders entitled to attend and vote at the EGM.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder. The appointment of the independent financial adviser will be approved by the Independent Board Committee. A further announcement will be made upon the appointment of the independent financial adviser.

A circular containing, among other things, (i) further information on the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in relation to the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder; and (iv) a notice convening the EGM will be despatched to the Shareholders.

Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to despatch the circular to the Shareholders within 21 days of the date of this announcement, being on or before 1 April 2013. Given that additional time is required to prepare the information to be contained in the circular, including the annual results of the Company for the year ended 31 December 2012, the despatch of the circular will be delayed. The Company expects that the circular will be despatched on or before 10 April 2013. The Company will apply to the Executive for its consent to extend the date to despatch the circular by no later than 10 April 2013. An announcement will be made upon the despatch of the circular.

Subject to the Right Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder being approved at the EGM, the Company will despatch the Right Issue Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) on or about Thursday, 9 May 2013.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Rights Issue is conditional upon the fulfillment of the conditions set out below under the sub-section headed “Conditions of the Rights Issue” of this announcement. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the sub-section headed “Termination of the Underwriting Agreement” of this announcement. The Rights Issue is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as the case may be) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 28 February 2013 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 12 March 2013.

Reference is made to the announcement of the Company dated 8 February 2013. On 27 February 2013, after trading hours, the Underwriting Agreement was entered into by the Company and the Underwriter. Details of the Rights Issue and underwriting arrangement are set out in this announcement.

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	Three Rights Shares for every two existing Shares held on the Record Date
Subscription Price:	HK\$0.2 per Rights Share
Number of Shares in issue as at the date of this announcement:	1,862,257,039 Shares
Number of new Shares to be issued upon full exercise of the Convertible Bond I, Convertible Note II and Share Options:	83,260,824 Shares

Number of Rights Share:	Not less than 2,793,385,557 (assuming no outstanding Share Options, Convertible Bond I and Convertible Note II has been exercised/converted before the Record Date) but not more than 2,918,276,793 Rights Shares (assuming all outstanding Share Options, Convertible Bond I and Convertible Note II have been exercised/converted in full before the Record Date)
Number of Underwritten Shares:	Not less than 2,344,852,557 but not more than 2,469,743,793 Rights Shares
Aggregate nominal value of Shares to be issued:	Not less than HK\$279,338,555.7 but not more than HK\$291,827,679.3
Enlarged issued share capital of the Company upon completion of the Rights Issue	Not less than 4,655,642,596 but not more than 4,863,794,656 Shares
Gross proceeds raised before expenses and setting off the outstanding principal amount of the Convertible Note I	Not less than approximately HK\$558.7 million but not more than approximately HK\$583.7 million

The number of Rights Shares to be issued pursuant to the terms of the Rights Issue represents 150% of the existing issued share capital of the Company and 60% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

The number of Rights Shares which may be allotted and issued pursuant to the Rights Issue will be increased in proportion to any additional new Shares which may be allotted and issued pursuant to the exercise of the subscription rights and the conversion rights attaching to the Share Options, the Convertible Bonds and Convertible Notes on or before the Record Date.

Pursuant to the Undertaking, the Underwriter has irrevocably undertaken to the Company that (i) it will remain the beneficial and registered owner of the number of Principal Shares and no more than the number of Principal Shares up to the Final Acceptance Date; (ii) it will take up and accept the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:00 p.m. on the Final Acceptance Date; and (iii) it will not dispose of or transfer or exercise any of the convertible rights under both the Convertible Bond II and Convertible Note I held by it on or before the Final Acceptance Date.

If all the subscription rights and the conversion rights attaching to the Share Options, the Convertible Bond I and the Convertible Note II are duly exercised, and Shares are allotted and issued pursuant to such exercise on or before the Record Date, the number of issued Shares is expected to be increased to 1,945,517,863 and the number of Rights Shares that may be issued pursuant to the Rights Issue is expected to be increased to 2,918,276,793.

Save for the Convertible Bonds, the Convertible Notes and the Share Options, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

Save as disclosed above, no Shareholder has undertaken to take up his or its entitlement in full or in part of the Rights Shares under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.2 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price of HK\$0.2 per Rights Share represents:

- (i) a discount of approximately 42.9% to the closing price of HK\$0.350 per Share as quoted on the Stock Exchange on 27 February 2013, being the Last Trading Day;
- (ii) a discount of approximately 42.0% to the average closing price of approximately HK\$0.345 per Share for the last five consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 39.4% to the average closing price of approximately HK\$0.330 per Share for the last ten consecutive trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 23.1% to the theoretical ex-right price of approximately HK\$0.260 per Share calculated based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a premium of approximately 1,900% to the unaudited consolidated net tangible asset value per Share of approximately HK\$0.01 (based on the latest published unaudited net tangible asset value of the Group as at 30 June 2012 and 1,862,257,039 Shares in issue as at the date of this announcement).

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market price and the financial requirements of the Company. As the Rights Shares are offered to all Qualifying Shareholders, the Directors considered that the aforesaid discount would attract the Qualifying Shareholders to participate in the Rights Issue and maintain their shareholdings accordingly. The Directors (excluding the independent non-executive Directors who will form their views after consulting the independent financial adviser to be appointed by the Independent Board Committee) consider the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional upon the satisfaction of the following conditions:

- (a) the passing at the EGM of necessary resolutions by the Independent Shareholders to approve:
 - (i) the Rights Issue;
 - (ii) the Whitewash Waiver; and
 - (iii) the Set-off Arrangement

in accordance with the Listing Rules and the Takeovers Code;

- (b) the granting of the Whitewash Waiver to the Underwriter by the Executive on or before the Posting Date;
- (c) the granting of the written approval from the Executive (to the extent required under Rule 25 of the Takeovers Code) and, where necessary, other consents in respect of the Set-off Arrangement;
- (d) the signing by any two Directors of two copies each of the Rights Issue Documents;
- (e) the registration of one such copy signed by any two Directors of the Rights Issue Documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong;
- (f) the posting of the Rights Issue Documents to the Qualifying Shareholders and (subject to the restrictions, if any, under the relevant overseas laws and regulations) the posting of the Prospectus stamped “For Information Only” to the Excluded Holders, in each case, on the Posting Date;
- (g) the Underwriter (and where necessary, its holding companies) having obtained all relevant approvals in accordance with PRC laws and regulations, including but not limited to approvals from the relevant PRC government authorities, as the case may be required in connection with the Rights Issue and the underwriting exercise pursuant to the Underwriting Agreement;
- (h) obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement;
- (i) in respect of the warranties and the undertakings contained in the Underwriting Agreement, by the Latest Time for Termination, (A) no material breach of any of the warranties or the undertakings having come to the knowledge of the Underwriter and the Company, and (B) a matter not having arisen which would reasonably be expected to give rise to a material breach or a material claim; and
- (j) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject only to allotment) listings of and permission to deal in the Rights Shares, in nil paid and fully paid forms, by no later than the business day prior to the commencement of trading of the Rights Shares and such permission not being withdrawn or revoked prior to the Latest Time for Termination.

The conditions (a)(iii) and (c) above can be waived by the Underwriter at any time before the Posting Date by notice in writing to the Company. Save as aforesaid, all other conditions set out above cannot be waived by any party to the Underwriting Agreement. In the event of the conditions (a) to (i) above have not been fulfilled or waived (as appropriate and applicable) on or before the Posting Date or condition (j) has not been fulfilled on or before the time prescribed above, or if the Underwriting Agreement shall be terminated pursuant to the terms as set out in the paragraph headed “Termination of the Underwriting Agreement” below, all obligations and liabilities of the parties thereunder shall immediately cease and be null and void and no party shall have any claim against the others save for any antecedent breaches, provided however that the Company shall remain liable to pay the costs charges and expenses howsoever of or incidental to the Rights Issue.

Fractional entitlements

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Status of the Rights Shares

Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Rights Shares. Save as aforesaid, the Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with the then existing Shares in issue on the date of allotment of the Rights Shares in all respects.

Dealings in the Rights Shares in both nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong and any other applicable fees and charges in Hong Kong.

Save for the Underwriter, the Board has not received any information from any substantial Shareholders of their intention to take up the Rights Shares provisionally allotted or offered to them or to be provisionally allotted or offered to them.

Applications for excess Rights Shares

Qualifying Shareholders may apply for any unsold entitlements of the Excluded Shareholders, any unsold fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by any Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application for excess Rights Shares can be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (1) subject to the availability of excess Rights Shares, preference will be given to applications for less than a board-lot of Rights Shares where they appear to the Directors that such applications are made to top up odd-lot holdings to board-lot holdings (unless the total number of excess Rights Shares is not sufficient to top-up all odd-lots into whole board-lots) and that such applications are not made with the intention to abuse this mechanism; and
- (2) subject to availability of excess Right Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess Rights Shares on pro-rata basis by reference to the number of excess Rights Shares they have applied for, with flexibility to round up to whole board-lots at the discretion of the Directors. No reference will be made to the Rights Shares comprised in applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

Shareholders with their Shares held by a nominee company should note that the Directors will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners

individually. The Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange registration of the relevant Shares in the name of the beneficial owners prior to the Record Date.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents for completion of the relevant registration with the Company's branch share registrar by 4:00 p.m. on Thursday, 2 May 2013.

Certificate for Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by ordinary mail to the Qualifying Shareholders and unsuccessful applicants who have validly accepted and applied for (where appropriate), and paid for the Rights Shares on Friday, 31 May 2013 at their own risk. Each Shareholder will receive one share certificate for all allotted Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Thursday, 2 May 2013. It is expected that the last day of dealings in the Shares on a cum-rights basis is Monday, 29 April 2013 and the Shares will be dealt with on an ex-rights basis from Tuesday, 30 April 2013.

The Company will send the Rights Issue Documents to the Qualifying Shareholders on the Posting Date. The Company will send only the Prospectus to the Excluded Shareholders (if any) for information purposes only on the same date.

Excluded Shareholder

If, at the close of business on the Record Date, any Shareholder's address on the register of members of the Company is in a place outside Hong Kong, such Overseas Shareholder may not be eligible to take part in the Rights Issue as the Rights Issue Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will seek legal advice as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 13.36(2) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in that place, not to offer the Rights Shares to the Overseas Shareholders, no provisional allotment of Rights Shares will be made to the Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

For those Overseas Shareholders who are to be excluded from the Rights Issue, the Company will, subject to compliance with the relevant local laws, regulations and requirements, send copies of the Prospectus for information only to these Excluded Shareholders, but the Company will not send the PAL and EAF to such Excluded Shareholders.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Net proceeds after deducting the expenses of sale (if any) will be kept by the Company for its own benefit. Any unsold Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders will be available for excess application.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

No part of the share capital of the Company is listed or dealt in, and no listing or permission to deal is being or is proposed to be sought, on any other stock exchange other than the Stock Exchange. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to payment of stamp duty in Hong Kong.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 23 April 2013 to Friday, 26 April 2013 (both days inclusive) for the purpose of, among other things, determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Friday, 3 May 2013 to Wednesday, 8 May 2013 (both days inclusive) for the purpose of, among other things, determining the eligibility for the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholding in the Company will be diluted.

THE USE OF PROCEEDS AND REASONS FOR THE RIGHT ISSUE AND THE SPECIAL DEALS

Use of proceeds

Based on the minimum number of 2,793,385,557 Rights Shares proposed to be issued, the gross proceeds from the Rights Issue are approximately HK\$558.7 million. Assuming none of the Rights Shares is accepted or applied for by the Qualifying Shareholders other than the Underwriter and that the Set-off Arrangement is implemented, the net proceeds from the Rights Issue after deducting (i) the expenses and (ii) the outstanding principal amount of the Convertible Note I of HK\$177 million being wholly set off against the total Subscription Price of the Rights Shares to be taken up and payable by the Underwriter of an equal amount as explained in the section headed “Payment of Rights Shares subscription by the Underwriter”, are estimated to be approximately HK\$377.7 million. Assuming none of the Rights Shares is accepted or applied for by the Qualifying Shareholders other than the Underwriter and that the Set-off Arrangement is not implemented, the net proceeds from the Rights Issue, after deducting the expenses, are estimated to be approximately HK\$554.7 million.

Based on the minimum number of 2,793,385,557 Rights Shares proposed to be issued, assuming all of the Rights Shares are accepted or applied for by the Qualifying Shareholders and that the Set-off Arrangement is implemented, the net proceeds from the Rights Issue after deducting (i) the expenses and (ii) approximately HK\$89.7 million to be set off against an equal amount of the outstanding principal amount of the Convertible Note I for the 448,533,000 Rights Shares to be subscribed by the Underwriter pursuant to its Undertaking, are estimated to be approximately HK\$465.0 million. Assuming all of the Rights Shares are accepted or applied for by the Qualifying Shareholders and that the Set-off Arrangement is not implemented, the net proceeds from the Rights Issue, after deducting the expenses, are estimated to be approximately HK\$554.7 million.

Based on the maximum number of 2,918,276,793 Rights Shares proposed to be issued, the gross proceeds from the Rights Issue are approximately HK\$583.7 million. Assuming none of the Rights Shares is accepted or applied for by the Qualifying Shareholders other than the Underwriter and that the Set-off Arrangement is implemented, the net proceeds from the Rights Issue after deducting (i) the expenses and (ii) the outstanding principal amount of the Convertible Note I of HK\$177 million being wholly set off against the total Subscription Price of the Rights Shares to be taken up and payable by the Underwriter of an equal amount, are estimated to be approximately HK\$402.7 million. Assuming none of the Rights Shares is accepted or applied for by the Qualifying Shareholders other than the Underwriter and that the Set-off Arrangement is not implemented, the net proceeds from the Rights Issue, after deducting the expenses, are estimated to be approximately HK\$579.7 million.

Based on the maximum number of 2,918,276,793 Rights Shares proposed to be issued, assuming all of the Rights Shares are accepted or applied for by the Qualifying Shareholders and that the Set-off Arrangement is implemented, the net proceeds that the Company would receive from the Rights Issue after deducting (i) expenses and (ii) approximately HK\$89.7 million being set off against an equal amount of the outstanding principal amount of the Convertible Note I for the 448,533,000 Rights Shares to be subscribed by the Underwriter pursuant to its Undertaking, are approximately HK\$490.0 million. Assuming all of the Rights Shares are accepted or applied for by the Qualifying Shareholders and that the Set-off arrangement is not implemented, the net proceeds from the Rights Issue, after deducting the expenses, are estimated to be approximately HK\$579.7 million.

The Company plans to apply the net proceeds from the Rights Issue as to approximately HK\$210 million for repayment of debt (which may include the Convertible Bond I), approximately HK\$160 million for funding of mergers and acquisitions and other investments to be identified by the Company, and the balance for the general working capital of the Group.

REASONS FOR THE RIGHT ISSUE AND THE SPECIAL DEALS

As at the date of this announcement, the Group is principally engaged in provision of waste treatment technologies and services which specialises in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects.

As stated in the Company's annual report for the year ended 31 December 2011, the Group will further develop an integrated industry chain on waste treatment and devote its efforts in business investment and mergers and acquisitions which are value-adding to the environmental industry. The Directors consider that taking into account the prevailing market conditions, it would be in the interests of the Company and the Shareholders as a whole to raise long-term equity funding for potential acquisitions or new investments as and when opportunities arise. It is also intended that the net proceeds of the Rights Issue be used for the repayment of debts which will enable the Group improve its gearing ratio. The Directors consider that the net proceeds of the Rights Issue will also strengthen the Company's capital base and enhance the Group's financial resilience, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms.

The Set-off Arrangement allows the Company to reduce its debt and so improve its gearing ratio. Pursuant to the terms of the Convertible Bond I, Waste Resources G.P. Limited may request redemption of the Convertible Bond I from 13 April 2013 to 20 April 2013 and in which case the Company will be required to redeem the Convertible Bond I on or before 12 June 2013, if the volume weighted average trading price per Share in a period of 30 consecutive trading days immediately before the third anniversary of the date of issue of the Convertible Bond I is less than the conversion price of HK\$2.40. In the event that Waste Resources G.P. Limited requests the redemption of the Convertible Bond I pursuant to the aforesaid term, the Company may consider utilising the net proceeds from the Rights Issue to redeem the Convertible Bond I.

Based on the above, the Directors (excluding the independent non-executive Directors who will give their view after taking into account the advice of the independent financial adviser) are of the view that the Rights Issue, the Whitewash Waiver and the Special Deals are in the interests of the Group and the Shareholders as a whole.

PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of this announcement:

Date of announcement	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 “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\$48.8 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\$47.7 million has not been used
6 December 2011	Issue of convertible bond	HK\$96.8 million	Xingtai Investment and/or general working capital of the Company	The fund raised has not been used

The Xingtai Investment is still pending for the final approval of the relevant PRC government authority. The Directors expected that the final approval would be obtained in the near future, and the proceeds raised from the aforesaid fund raising activities would be used upon the receipt of the final approval.

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the 12 months immediately preceding the date of this announcement.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

The principal terms of the Underwriting Agreement are summarised as below:

Date:	27 February 2013, after trading hours
Underwriter:	Beijing Capital (Hong Kong) Limited
Number of Rights Shares underwritten by the Underwriter:	Not less than 2,344,852,557 but not more than 2,469,743,793 Rights Shares
Commission:	Nil

The Underwriter does not underwrite issues of securities in its ordinary course of business.

Terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and the Underwriter. The Directors (excluding the independent non-executive Directors who will form their views after taking into account the advice of the independent financial adviser) are of the view that the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Underwriter is interested in: (i) an aggregate of 299,022,000 Shares, representing approximately 16.06% of the issued share capital of the Company as at the date of this announcement; (ii) the Convertible Note I, with outstanding principal amount of HK\$177,000,000, carrying the right to convert into Shares at HK\$1.13 each; and (iii) Convertible Bond II, with outstanding principal amount of HK\$100,000,000, carrying the right to convert into Shares at HK\$0.4 each. BC Water Investments Co., Ltd., which is wholly-owned by Beijing Capital, is a party acting in concert with the Underwriter. BC Water Investments Co., Ltd. is interested in 9,284,000 Shares, representing approximately 0.5% of the issued share capital of the Company as at the date of this announcement.

Pursuant to the Undertaking, the Underwriter has irrevocably undertaken to the Company that (i) it will remain the beneficial and registered owner of the number of Principal Shares and not more than the number of Principal Shares up to the Final Acceptance Date; (ii) it will take up and accept the rights entitlement in full under the Rights Issue in respect of the Principal Shares prior to 4:00 p.m. on the Final Acceptance Date; and (iii) it will not dispose of or transfer or exercise any of the convertible rights under both the Convertible Bond II and Convertible Note I held by it on or before the Final Acceptance Date.

Payment of Rights Shares subscription by the Underwriter

Upon the Rights Issue becoming unconditional and:

- (i) if conditions (a)(iii) and (c) under paragraph headed "Conditions of the Rights Issue" have been fulfilled and not waived by the Underwriter, the total Subscription Price of the Rights Shares to be taken up by the Underwriter shall be paid as to any amount up to HK\$177,000,000 out of the outstanding principal amount of the Convertible Note I available with the remaining balance (if any) by cheques or cashier order to the Company; or

- (ii) if condition(s) (a)(iii) and/or (c) under paragraph headed “Conditions of the Rights Issue” is/are not fulfilled and the Underwriter has waived such condition(s), the Underwriter will pay the total Subscription Price by cheques or cashier order in the full amount payable to the Company.

If conditions (a)(iii) and (c) under paragraph headed “Conditions of the Rights Issue” are not fulfilled and are waived by the Underwriter, the Underwriter will use its own funds to pay the Subscription Price.

Amendment to the terms of the Convertible Note I

Subject to the Rights Issue becoming unconditional, and conditions (a)(iii) and (c) under paragraph headed “Conditions of the Rights Issue” have been fulfilled and not waived by the Underwriter, the Underwriter and the Company agree to amend the terms of the Convertible Note I such that the Convertible Note I shall be redeemed to effect the Set-off Arrangement. The amendment in the terms of the Convertible Note I is part of the Set-off Arrangement, which constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

Pursuant to a subordination deed entered into among the Company, the Underwriter and Waste Resources G.P. Limited (the holder of the Convertible Bond I), the Convertible Note I is subordinated to the Convertible Bond I and the repayment of the Convertible Note I is subject to the consent of Waste Resources G.P. Limited so long as the Convertible Bond I remains outstanding. Therefore, the Set-off Arrangement is subject to the consent of Waste Resources G.P. Limited so long as the Convertible Bond I remains outstanding. The Company plans to liaise with Waste Resources G.P. Limited to obtain its consent shortly after the issue of this announcement.

Termination of the Underwriting Agreement

The Underwriter reserves the right to terminate the underwriting arrangements set out in the Underwriting Agreement by notice in writing given by the Underwriter to the Company at any time prior to the Latest Time for Termination if:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other place in which any member of the Group conducts or carries on business; or
 - (ii) any local, national or international event or change of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting focal securities markets; or
 - (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
 - (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances; or

- (v) the occurrence of any event, or series of events, beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter:

- (1) is or will or is likely to have a material adverse effect on the business or financial position of the Group or the Rights Issue; or
- (2) has or will have or is likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (3) makes it inadvisable or inexpedient for the Company to proceed with the Rights Issue; or

(b) there comes to the notice of the Underwriter:

- (i) any matter or event showing any of the warranties was, when given, untrue or misleading or as having been breached in any respect; or
- (ii) any breach by any of the other parties to the Underwriting Agreement of any of their respective obligations or undertakings under the Underwriting Agreement,

then and in any such case the Underwriter may, upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

If prior to the Latest Time for Termination any such notice referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save for any antecedent breaches, provided however that the Company shall remain liable to pay the costs charges and expenses howsoever of or incidental to the Rights Issue.

If the Underwriting Agreement is terminated by the Underwriter on or before the Latest Time for Termination or does not become unconditional, the Rights Issue will not proceed.

INFORMATION OF THE UNDERWRITER

The Underwriter is wholly-owned by Beijing Capital, which is a company listed on the Shanghai Stock Exchange. Beijing Capital is principally engaged in investments, operation and management of infrastructure, development of the water market and sewage disposal in the PRC. The Underwriter is principally engaged in overseas capital operations, investment and financing, environmental industry value chain and international business operation. Beijing Capital is owned as to 59.5% by Beijing Capital Group Co., Ltd., a state-owned enterprise owned by the People's Government of Beijing Municipality and directly under the supervision of the State-Owned Assets Supervision and Administration Commission of the Beijing Municipality.

SHAREHOLDING IN THE COMPANY

The table below depicts the possible shareholding structure of the Company as at the date of this announcement and the possible changes upon completion of the Rights Issue, on the basis of the public information available to the Company as of the date of this announcement, after the Directors having made reasonable enquiries and assuming there is no other changes in the shareholding structure of the Company since the date of this announcement:

Assuming no exercise of Share Option, Convertible Bond I and Convertible Note II on or before the Record Date

Shareholder	As at the date of this Announcement		Immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than the Underwriter)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Underwriter (<i>Note 1</i>)	299,022,000	16.06	747,555,000	16.06	3,092,407,557	66.42
BC Water Investments Co., Ltd (<i>Note 1</i>)	<u>9,284,000</u>	<u>0.50</u>	<u>23,210,000</u>	<u>0.50</u>	<u>9,284,000</u>	<u>0.20</u>
Sub-total of the Underwriter and parties acting in concert with it	308,306,000	16.56	770,765,000	16.56	3,101,691,557	66.62
Sycomore Limited, Marcello Appella and his associates (<i>Note 2</i>)	3,588,030	0.19	8,970,075	0.19	3,588,030	0.08
Simple Success Investments Limited (<i>Note 3</i>)	270,760,000	14.54	676,900,000	14.54	270,760,000 (<i>Note 7</i>)	5.82
Best View Enterprises Limited (<i>Note 4</i>)	221,308,205	11.88	553,270,511	11.88	221,308,205 (<i>Note 7</i>)	4.75
<i>Public Shareholders:</i>						
Other public Shareholders	<u>1,058,294,804</u>	<u>56.83</u>	<u>2,645,737,010</u>	<u>56.83</u>	<u>1,058,294,804</u>	<u>22.73</u>
Sub-total of public Shareholders	<u>1,058,294,804</u>	<u>56.83</u>	<u>2,645,737,010</u>	<u>56.83</u>	<u>1,550,363,009</u>	<u>33.30</u>
Total	<u><u>1,862,257,039</u></u>	<u><u>100.00</u></u>	<u><u>4,655,642,596</u></u>	<u><u>100.00</u></u>	<u><u>4,655,642,596</u></u>	<u><u>100.00</u></u>

Assuming full exercise of Share Option, Convertible Bond I and Convertible Note II on or before the Record Date

Shareholder	As at the date of this Announcement		Immediately after full exercise of the Share Option, Convertible Bond I and Convertible Note II		Immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming no acceptance by the Qualifying Shareholders (other than the Underwriter)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Underwriter (Note 1)	299,022,000	16.06	299,022,000	15.37	747,555,000	15.37	3,217,298,793	66.15
BC Water Investments Co., Ltd (Note 1)	9,284,000	0.50	9,284,000	0.48	23,210,000	0.48	9,284,000	0.19
Sub-total of the Underwriter and parties acting in concert with it	308,306,000	16.56	308,306,000	15.85	770,765,000	15.85	3,226,582,793	66.34
Sycomore Limited, Marcello Appella and his associates (Note 2)	3,588,030	0.19	3,789,562	0.19	9,473,905	0.19	3,789,562	0.08
Simple Success Investments Limited (Note 3)	270,760,000	14.54	270,760,000	13.92	676,900,000	13.92	270,760,000	5.57
Best View Enterprises Limited (Note 4)	221,308,205	11.88	221,308,205	11.38	553,270,511	11.38	221,308,205	4.55
<i>Public Shareholders:</i>								
Waste Resources G.P. Limited (Note 5)	9,341,000	0.50	74,341,000	3.82	185,852,500	3.82	74,341,000	1.53
Winner Performance Limited (Note 6)	19,000,000	1.02	33,159,292	1.70	82,898,230	1.70	33,159,292	0.68
Other public Shareholders	1,029,953,804	55.31	1,033,853,804	53.14	2,584,634,510	53.14	1,033,853,804	21.26
Sub-total of public Shareholders	1,058,294,804	56.83	1,141,354,096	58.67	2,853,382,240	58.67	1,633,422,301	33.58
Total	1,862,257,039	100.00	1,945,517,863	100.00	4,863,794,656	100.00	4,863,794,656	100.00

Notes:

- (1) These Shares are held by the Underwriter and BC Water Investments Co., Ltd. respectively, which are wholly-owned subsidiaries of Beijing Capital.
- (2) Sycomore Limited 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.
- (3) 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. Simple Success Investments Limited is not an associate of Mr. Cheng Yu Tung.
- (4) 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 Mr. Cheng Yu Tung.
- (5) Waste Resources G.P. Limited is the holder of the Convertible Bond I.
- (6) Winner Performance Limited is the holder of the Convertible Note II. Winner Performance Limited is not related to any of the other existing Shareholders.
- (7) Its shareholding falls below 10% and thus no longer a substantial Shareholder. Accordingly, it will be regarded as a public Shareholder in this scenario.
- (8) Figures shown above as totals may not be an arithmetic aggregation of the figures preceding them due to rounding.

ADJUSTMENTS TO OUTSTANDING CONVERTIBLE BONDS, CONVERTIBLE NOTES AND SHARE OPTION

The Rights Issue will lead to an adjustment to the conversion price under the Convertible Bonds, the Convertible Notes and the Share Option if there is any outstanding principal amount of the aforesaid convertibles and/or outstanding Share Options after completion of the Rights Issue. The Company will notify the holder thereof and the Shareholders by way of announcement, if and when necessary.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

All time and dates in this announcement are referenced to Hong Kong local time and dates. Dates or deadlines specified in this announcement for events in the timetable below are indicative only and may be extended or varied. Any consequential changes to the anticipated timetable will be announced as and when appropriate.

EVENT

Despatch of Company's circular with notice of the EGM Wednesday, 10 April 2013

Latest time for lodging transfers of Shares in order to
qualify for attendance and voting at the EGM 4:00 p.m. on Monday,
22 April 2013

Register of members of the Company closed
for the EGM (both days inclusive) Tuesday, 23 April 2013
to Friday, 26 April 2013

Latest time for lodging proxy form for the EGM
(not less than 48 hours before time of the EGM) 10:00 a.m. on Wednesday,
24 April 2013

Record date for the EGM Friday, 26 April 2013

EGM 10:00 a.m. on Friday,
26 April 2013

Announcement of results of the EGM
to be published on the Stock Exchange website Friday, 26 April 2013

Register of members of the Company re-opens Monday, 29 April 2013

Last day of dealings in Shares on a cum-rights basis Monday, 29 April 2013

First day of dealings in Shares on an ex-rights basis Tuesday, 30 April 2013

Latest time for lodging transfer of Shares
in order to qualify for the Rights Issue 4:00 p.m. on Thursday,
2 May 2013

Register of members of the Company closes for the Right Issue (both days inclusive)	Friday, 3 May 2013 to Wednesday, 8 May 2013
Record date for the Rights Issue	Wednesday, 8 May 2013
Register of members of the Company re-opens	Thursday, 9 May 2013
Despatch of the Rights Issue Documents	Thursday, 9 May 2013
First day of dealings in nil-paid Rights Shares	Monday, 13 May 2013
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Wednesday, 15 May 2013
Last day of dealings in nil-paid Rights Shares	Tuesday, 21 May 2013
Latest time for acceptance of and payment for Rights Shares and for application and payment for excess Rights Shares	4:00 p.m. on Friday, 24 May 2013
Underwriting Agreement becoming unconditional	4:00 p.m. on Wednesday, 29 May 2013
Announcement of results of allotment of the Rights Issue to be published on the Stock Exchange website	Thursday, 30 May 2013
Despatch of certificates for fully-paid Rights Shares and refund cheques on or before	Friday, 31 May 2013
Commencement of dealings in full-paid Rights Shares	9:00 a.m. on Monday, 3 June 2013

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 24 May 2013. Instead, the Latest Time for Acceptance will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates mentioned in the section headed “Expected timetable” in this announcement may be affected. An announcement will be made by the Company in such event accordingly.

LISTING RULES IMPLICATIONS

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue will increase the issued share capital of the Company by more than 50% within the twelve-month period immediately preceding the date of this announcement, the Rights Issue is conditional on the approval by the Independent Shareholders at the EGM by way of poll. Certain Directors, namely Mr. Yu Chang Jian, Mr. Liu Xiao Guang and Mr. Cao Guo Xian, are directors and/or hold various senior management positions in the Beijing Capital group. The aforesaid Directors have abstained from voting on the board resolutions approving the Rights Issue, the Whitewash Waiver and the Special Deals. Mr. Lim Jui Kian, a non-executive Director, was nominated by Waste Resources G.P. Limited and is considered to be subject to potential conflict, details of which are disclosed in the section headed “General” below. Therefore, his votes on the Board resolutions in respect of the Rights Issue, the Whitewash Waiver and the Special Deals were disregarded.

WHITEWASH WAIVER

The Underwriter and parties acting in concert with it are beneficially interested in 308,306,000 Shares, representing approximately 16.56% of the issued share capital of the Company as at the date of this announcement. If the Underwriter is required to take up any Rights Shares pursuant to its underwriting commitment in connection with the Rights Issue and/or pursuant to its application for any excess Rights Shares that may be accepted by the Company, the Underwriter may trigger an obligation to make a mandatory offer under Rule 26.1 of the Takeovers Code. For illustration purpose only, based on the maximum number of 2,918,276,793 Rights Shares proposed to be issued, upon completion of the Rights Issue, assuming that (i) no Qualifying Shareholders (other than the Underwriter) takes up any Rights Shares; and (ii) the number of issued Shares remains unchanged (save for the full exercise of the Share Option and the full conversion of the Convertible Bond I and the Convertible Note II), the Underwriter pursuant to the Underwriting Agreement will be required to subscribe for 2,918,276,793 Rights Shares, which will result in the Underwriter and parties acting in concert with it beneficially interested in 3,226,582,793 Shares, representing approximately 66.34% of the enlarged issued share capital of the Company upon completion of the Rights Issue, thereby triggering an obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer under Rule 26.1 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it.

In this regard, an application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeover Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue will lapse and will not proceed.

SPECIAL DEALS

The Set-off Arrangement

Pursuant to the Underwriting Agreement, the Underwriter has agreed with and instructed the Company to set off the total Subscription Price of the Rights Shares to be subscribed under the Rights Issue up to HK\$177,000,000 against the outstanding principal amount of the Convertible Note I, subject to the Rights Issue becoming unconditional and conditions (a)(iii) and (c) under paragraph headed “Conditions of the Rights Issue” having been fulfilled and not

waived by the Underwriter. The Underwriter will pay the balance, if any, in cash. Given that the Underwriter is a substantial Shareholder and that the Set-off Arrangement is not extended to all Shareholders, for the purpose of applying for the Whitewash Waiver, the Set-off Arrangement constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The possible repayment of the Convertible Bond I

It is intended that part of the net proceeds from the Rights Issue will be used to repay certain debts of the Group, which may include the Convertible Bond I. The holder of the Convertible Bond I, Waste Resources G.P. Limited is a Shareholder holding 9,341,000 Shares, representing approximately 0.5% of the issued share capital of the Company as at the date of this announcement. Given that the holder of the Convertible Bond I is a Shareholder and that the possible repayment of the Convertible Bond I is not extended to all Shareholders, for the purpose of applying for the Whitewash Waiver, the possible repayment of the Convertible Bond I constitutes a special deal for the Company under Rule 25 of the Takeovers Code.

The Special Deals are subject to the consent of the Executive, which shall be conditional upon the approval of the Independent Shareholders by way of poll at the EGM and the independent financial adviser to the Independent Shareholders publicly states in its opinion that the Special Deals are fair and reasonable. The Company will make an application to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Special Deals.

The Underwriter, Waste Resources G.P. Limited and parties acting in concert with any of them and those who are involved in or interested in the Whitewash Waiver and/or the Special Deals and their respective associates are required by the Listing Rules or the Takeovers Code to abstain for voting on the proposed resolution(s) approving the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder at the EGM.

The Underwriter and parties acting in concert with it have not acquired any voting rights of the Company and have not dealt in any securities of the Company in the six months prior to the date of this announcement.

As at the date of this announcement, no shareholding in the Company is owned or controlled by any persons who, prior to the date of this announcement irrevocably committed themselves to accept or reject the Rights Issue except the Undertaking of the Underwriter.

As at the date of this announcement, no Independent Shareholder had irrevocably committed to vote for or against the proposed resolution(s) approving the Rights Issue, the Whitewash Waiver and/or the Special Deals.

As at the date of this announcement, there is no outstanding derivative in respect of securities of the Company entered into by the Underwriter or any parties acting in concert with it, save for the Convertible Bond II and Convertible Note I.

As at the date of this announcement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of the Underwriter and which might be material to the Rights Issue, save for the Underwriting Agreement, the Undertaking and the Set-off Arrangement.

As at the date of this announcement, save for the Underwriting Agreement (including the Set-off Arrangement), there is no agreement or arrangement to which the Underwriter is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue.

As at the date of this announcement, none of the Underwriter and parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder. The appointment of the independent financial adviser will be approved by the Independent Board Committee. A further announcement will be made upon the appointment of the independent financial adviser.

Given that (i) the Set-off Arrangement may be subject to the consent of Waste Resources G.P. Limited if the Convertible Bond I remains outstanding upon the implementation of the Set-off Arrangement; (ii) the non-executive Director, Mr. Lim Jui Kian, was nominated by Waste Resources G.P. Limited; and (iii) the intended use of proceeds of the Rights Issue include repayment of debt which may include the Convertible Bond I, Mr. Lim Jui Kian may be subject to potential conflict of interest. As such, it is not appropriate to include Mr. Lim Jui Kian in the Independent Board Committee. Therefore, his votes on the Board resolutions in respect of the Rights Issue, the Whitewash Waiver and the Special Deals were disregarded.

A circular containing, among other things, (i) further information on the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in relation to the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder; and (iv) a notice convening the EGM will be despatched to the Shareholders.

Pursuant to Rule 8.2 of the Takeovers Code, the Company is required to despatch the circular to the Shareholders within 21 days of the date of this announcement, being on or before 1 April 2013. Given that additional time is required to prepare the information to be contained in the circular, including the annual results of the Company for the year ended 31 December 2012, the despatch of the circular will be delayed. The Company expects that the circular will be despatched on or before 10 April 2013. The Company will apply to the Executive for its consent to extend the date to despatch the circular by no later than 10 April 2013. An announcement will be made upon the despatch of the circular.

Subject to the Right Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder being approved at the EGM, the Company will despatch the Right Issue Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Excluded Shareholders (if any) for their information only on Thursday, 9 May 2013.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 28 February 2013 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:00 a.m. on 12 March 2013.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Rights Issue is conditional upon the fulfillment of the conditions set out above under the sub-section headed “Conditions of the Rights Issue” of this announcement. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as more particularly described in the sub-section headed “Termination of the Underwriting Agreement” of this announcement. The Rights Issue is therefore also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed. Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as the case may be) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares are advised to consult their own professional advisers.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Beijing Capital”	Beijing Capital Co., Ltd., a company established under the laws of the PRC and the shares of which are listed on the Shanghai Stock Exchange
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business throughout their normal business hours (other than a Saturday, Sunday or public holiday)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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
“Convertible Bonds”	Convertible Bond I and Convertible Bond II
“Convertible Bond I”	the zero coupon guaranteed convertible bonds issued by the Company to Waste Resources G.P. Limited on 13 April 2010 in the principal amount of HK\$156,000,000, details of which were set out in the announcements of the Company dated 29 January 2010 and 13 April 2010 and circular of the Company dated 12 February 2010

“Convertible Bond II”	the convertible bonds issued by the Company to the Underwriter, in the principal amount of HK\$100,000,000 by two instalments of HK\$50,000,000 each on 11 September 2012 and 31 December 2012 respectively, details of which were set out in the announcements of the Company dated 6 December 2011, 31 August 2012 and 31 December 2012 and circular of the Company dated 31 December 2011
“Convertible Notes”	Convertible Note I and Convertible Note II
“Convertible Note I”	the convertible notes issued by the Company to Simple Success Investments Limited (which was subsequently transferred to the Underwriter) in the principal amount of HK\$488,000,000 on 11 December 2009, with outstanding principal amount of HK\$177,000,000 as at the date hereof, details of which were set out in the announcements of the Company dated 23 September 2009 and 11 December 2009 and circular of the Company dated 23 November 2009
“Convertible Note II”	the convertible notes issued by the Company to Bright Good Limited (which was subsequently transferred to Winner Performance Limited) in the principal amount of HK\$188,040,000 on 11 December 2009, with outstanding principal amount of HK\$16,000,000 as at the date hereof, details of which were set out in the announcement of the Company dated 23 September 2009 and 11 December 2009 and circular of the Company dated 23 November 2009
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder
“Excluded Shareholder(s)”	the Overseas Shareholder(s) who the Directors, after making enquiry regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholder(s) resides, consider it necessary or expedient to exclude them from the Rights Issue
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Final Acceptance Date”	24 May 2013, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company and the Underwriter may agree in writing
“Group”	the Company and its subsidiaries

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun and Ms. Chan Yee Wah, Eva, which has been formed to advise the Independent Shareholders in respect of the terms and conditions of the Rights Issue, the Whitewash Waiver, the Special Deals and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Underwriter, Waste Resources G.P. Limited, any of their associates and parties acting in concert with any of them and Shareholders who are interested in or involved in the Rights Issue, the Whitewash Waiver and/or the Special Deals
“Last Trading Day”	27 February 2013, being the last trading day of the Shares prior to the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on 24 May 2013 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus
“Latest Time for Termination”	4:00 p.m. on 29 May 2013 or such later time as may be agreed between the Company and the Underwriter, being the latest time by which the Underwriter may terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the StockExchange
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Principal Shares”	the Shares owned by the Underwriter as at the date of the Underwriting Agreement, being 299,022,000 Shares
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Rights Issue

“Posting Date”	9 May 2013 or such later date as may be designated by the Company, being the date of posting the Rights Issue Documents to Qualifying Shareholders and the Prospectus to the Excluded Shareholders (if and to the extent legally and practically permissible) for their information
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	8 May 2013 or such other date as may be agreed between the Company and the Underwriter, being the date by reference to which entitlements to the Rights Issue are to be determined
“Rights Issue”	the issue of not less than 2,793,385,557 but not more than 2,918,276,793 Rights Shares at the Subscription Price on the basis of three Rights Shares for every two existing Shares held on the Record Date payable in full on acceptance
“Rights Issue Documents”	the Prospectus, the PAL and the EAF
“Rights Share(s)”	new Share(s) to be allotted and issued under the Rights Issue
“Set-off Arrangement”	the arrangement agreed between the Underwriter and the Company to set off the total Subscription Price of the Rights Shares to be subscribed under the Rights Issue by the Underwriter up to HK\$177,000,000 against the outstanding principal amount of the Convertible Note I, while any balance thereof (if any) will represent the remaining outstanding principal amount of the Convertible Note I, and the amendment to the terms of the Convertible Note I as stated in the paragraph headed “Amendment to the terms of the Convertible Note I”
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s) in issue
“Share Options”	the outstanding options to subscribe for 4,101,532 new Shares granted to the Directors and employees of the Group pursuant to the share option scheme approved by the Shareholders on 15 June 2006
“Special Deals”	for the purpose of applying for the Whitewash Waiver, the Set-off Arrangement and the possible repayment of the Convertible Bond I using the net proceeds from the Rights Issue
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.2 per Rights Share
“Takeovers Code”	the Code on Takeovers and Mergers

“Undertaking”	the irrevocable undertaking in the Underwriting Agreement given by the Underwriter in favour of the Company, details of which are set out in the paragraph headed “Issue Statistics” under the section headed “Proposed Rights Issue” in this announcement
“Underwriter”	Beijing Capital (Hong Kong) Limited, a company incorporated with limited liability under the laws of Hong Kong and the underwriter for the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 27 February 2013 entered into between the Company and the Underwriter in relation to the underwriting and the relevant arrangements in respect of the Rights Issue
“Underwritten Shares”	not less than 2,344,852,557 but not more than 2,469,743,793 Rights Shares, being all Rights Shares deducting the Rights Shares to be allotted to the Underwriter on an assured basis, which have been undertaken to be accepted and subscribed by it pursuant to the Underwriting Agreement
“Whitewash Waiver”	a waiver required to be granted by the Executive pursuant to Note 1 to dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriter to make a general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which may otherwise arise as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement and/or pursuant to its application for any excess Rights Shares that is accepted by the Company
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 11 March 2013

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.