

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



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)

- (i) UPDATES ON PROPOSED RIGHTS ISSUE AND APPLICATION FOR
WHITEWASH WAIVER AND SPECIAL DEALS CONSENT;**
(ii) CHANGE IN USE OF PROCEEDS;
(iii) UPDATED TIMETABLE OF THE RIGHTS ISSUE;
AND
(iv) CONVENE THE NEW EGM

REDEMPTION OF THE CONVERTIBLE BOND I

As disclosed in the Initial Circular, on 15 April 2013, the Company received an irrevocable put option exercise notice from Waste Resources G.P. Limited requesting the redemption of Convertible Bond I by the Company on or before 12 June 2013. As further disclosed in the Initial Circular, the Company was considering various sources of funding to meet its obligation to redeem the Convertible Bond I, which may include the proceeds from the Rights Issue.

The Board wishes to announce that it has resolved to finance the redemption of the Convertible Bond I as to approximately HK\$131 million by the Group's internal resources (which is currently earmarked for the Xingtai Investment), HK\$50 million by the proceeds of the Shareholder's Loan and HK\$30 million by the proceeds of the Short Term Loan. Accordingly, on 13 May 2013, the Company has entered into the Shareholder's Loan Agreement with the Underwriter and Short Term Loan Facility Letter with a financial institution for an aggregate loan of HK\$80 million. The Company intends to utilise the net proceeds from the Rights Issue to repay the Shareholder's Loan and the Short Term Loan.

CHANGE IN USE OF PROCEEDS

As disclosed in the Initial Circular, the Company has earmarked HK\$150 million out of the aggregate proceeds of approximately HK\$226.2 million raised during the past 12 months for financing the capital requirement of the Xingtai Investment. The Xingtai Investment is still pending for the final approval of the relevant PRC government authority. In light of the imminent need to redeem the Convertible Bond I on or before 12 June 2013, the Company intends to use approximately HK\$131 million out of the HK\$150 million earmarked for the Xingtai Investment to redeem the Convertible Bond I. In turn, the Company intends to earmark the same amount from the proceeds of the Rights Issue for the Xingtai Investment. The Directors (including the independent non-executive Directors) consider that the change in the proceeds raised from the past fund raising exercises is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Company intends that the net proceeds of the Rights Issue will be used as to (i) approximately HK\$80 million for repayment of debt (of which approximately HK\$50 million for the repayment of the Shareholder's Loan and approximately HK\$30 million for the repayment of the Short Term Loan); (ii) approximately HK\$131 million for financing the capital requirement of the Xingtai Investment; (iii) approximately HK\$160 million for funding mergers and acquisitions and other investments in waste treatment and/or waste-to-energy projects in the PRC; and (iv) the remaining balance for the general working capital of the Group, including administrative and interest expenses.

GENERAL

With the approval of the Shareholders at the EGM, the EGM was adjourned until further notice. The Directors consider it is in the interest of the Shareholders to consider the Adjourned Resolutions and the resolution to approve the redemption of the Convertible Bond I altogether at the same meeting. Therefore, the Board has resolved not to re-convene the adjourned EGM and to let the EGM stand adjourned indefinitely. Instead, the Company will convene the New EGM to consider, and if thought fit, approve the New Resolutions. Please refer to the notice of New EGM and the accompanying proxy form which are of the same date of this announcement.

The Underwriter, Waste Resources G.P. Limited and parties acting in concert with any of them and those who are involved or interested in the Rights Issue, the Whitewash Waiver and/or the Special Deals and their respective associates are required by the Listing Rules or the Takeovers Code to abstain from voting on the New Resolutions at the New EGM.

References are made to the Company's announcements dated 11 March 2013, 28 March 2013, 16 April 2013 and 6 May 2013 and the Initial Circular in relation to, among other things, the proposed Rights Issue and application for Whitewash Waiver and Special Deals consent.

REDEMPTION OF THE CONVERTIBLE BOND I

As disclosed in the Initial Circular, on 15 April 2013, the Company received an irrevocable put option exercise notice from Waste Resources G.P. Limited requesting the redemption of the Convertible Bond I by the Company on or before 12 June 2013. As further disclosed in the Initial Circular, the Company was considering various sources of funding to meet its obligation to redeem the Convertible Bond I, which may include the proceeds from the Rights Issue.

The Rights Issue is conditional upon, among other things, 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. Based on the Company's recent discussion with the Underwriter regarding the progress of obtaining the required PRC regulatory approvals, there is uncertainty whether such approvals may be obtained on or before the latest date that the Underwriting Agreement shall become unconditional based on the timetable of the Rights Issue as disclosed in the Initial Circular. In such case, the completion of the Rights Issue may be delayed. Therefore, the Company may not be able to utilise the proceeds from the Rights Issue to redeem the Convertible Bond I on or before 12 June 2013, being the latest date to make the payment pursuant to its terms.

It is noted that the Group's current internal resource is not sufficient to finance the redemption of the Convertible Bond I in full. In view of the possible delay in the completion of the Rights Issue and in order to ensure that the Company will be able to redeem the Convertible Bond I on or before 12 June 2013 and not having to default on the payment and be deemed breaching the terms of the Convertible Bond I, the Board has resolved to utilise the Group's internal resources, and the proceeds from the Shareholder's Loan and the Short Term Loan to settle the aforesaid redemption. It is currently estimated that the redemption of the Convertible Bond I amounts to approximately HK\$211 million, which will be financed as to approximately HK\$131 million by the Group's internal resources (which is currently earmarked for the Xingtai Investment), HK\$50 million by the proceeds of the Shareholder's Loan and HK\$30 million by the proceeds of the Short Term Loan. On 13 May 2013, the Company entered into the Shareholder's Loan Agreement with the Underwriter for a loan facility of HK\$50 million and the Short Term Loan Facility Letter with a financial institution for a loan facility of HK\$30 million. The Shareholder's Loan and the Short Term Loan serve as bridging loans for the Company to ensure that it is able to redeem the Convertible Bond I on or before 12 June 2013. The Company intends to utilise the proceeds from the Rights Issue to repay the Shareholder's Loan and the Short Term Loan.

The terms of the Shareholder's Loan have been arrived at after arm's length negotiations between the Company and the Underwriter. The Shareholder's Loan is unsecured and bears interest rate of HIBOR plus 3.8% per annum. The interest rate of the Shareholder's Loan was determined with reference to the overall funding costs to be incurred by the Underwriter for obtaining funding of the said amount.

In view of the aforesaid, the Directors (including the independent non-executive Directors) considered that the terms of the Shareholder's Loan Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As disclosed in the Initial Circular, the redemption of the Convertible Bond I constitutes a special deal under Rule 25 of the Takeovers Code, which is subject to the consent of the Executive, which shall be conditional upon the approval of the Independent Shareholders and the Independent Financial Adviser to the Independent Shareholders publicly states in its opinion that such special deal is fair and reasonable. It should be noted that if the Independent Shareholders disapprove such transaction at the New EGM, the Company will have to default on the payment and be deemed breaching the terms of the Convertible Bond I. The Directors are with strong view that such circumstances would not be in the interests of the Company and the Shareholders as a whole. In fact, as disclosed below, part of the proceeds from the Rights Issue will be used to repay the Shareholder's Loan and the Short Term Loan which will be drawn down to redeem the Convertible Bond I. As such, the Directors (including the independent non-executive Directors) strongly recommend that any Independent Shareholder who votes in favour of the Rights Issue (with part of its proceeds being indirectly funding the redemption of the Convertible Bond I) to also vote in favour of the redemption of the Convertible Bond I.

CHANGE IN USE OF PROCEEDS

As disclosed in the Initial Circular, the Company has earmarked HK\$150 million out of the aggregate proceeds of approximately HK\$226.2 million raised during the past 12 months for financing the capital requirement of the Xingtai Investment. The Xingtai Investment is still pending for the final approval of the relevant PRC government authority. In light of the imminent need to redeem the Convertible Bond I on or before 12 June 2013, the Company intends to use approximately HK\$131 million out of the HK\$150 million earmarked for the Xingtai Investment to redeem the Convertible Bond I. In turn, the Company intends to earmark the same amount from the proceeds of the Rights Issue for the Xingtai Investment. The Directors (including the independent non-executive Directors) consider that the change in the proceeds raised from the past fund raising exercises is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Company intends that the net proceeds of the Rights Issue will be used as to (i) approximately HK\$80 million for repayment of debt (of which approximately HK\$50 million for the repayment of the Shareholder's Loan and approximately HK\$30 million for the repayment of the Short Term Loan); (ii) approximately HK\$131 million for financing the capital requirement of the Xingtai Investment; (iii) approximately HK\$160 million for funding mergers and acquisitions and other investments in waste treatment and/or waste-to-energy projects in the PRC; and (iv) the remaining balance for the general working capital of the Group, including administrative and interest expenses.

ADVICE AND RECOMMENDATION OF THE INDEPENDENT FINANCIAL ADVISER

For the redemption of the Convertible Bond I which constitutes a special deal under Rule 25 of the Takeovers Code, the Independent Financial Adviser noted that the irrevocable put option exercise notice from Waste Resources G.P. Limited requesting the redemption of the Convertible Bond I by the Company was made in accordance with the terms of the Convertible Bond I. It is the contractual obligation of the Company to redeem the Convertible Bond I upon receipt of such put option exercise notice from Waste Resources G.P. Limited. The Directors confirm that when the Convertible Bond I was issued in April 2010, the Rights Issue

had not been contemplated. If such special deal in relation to the repayment of Convertible Bond I is not approved by the Independent Shareholders at the New EGM, the Company will not be able to fulfill its obligation under the Convertible Bond I and will be in breach of the terms of the Convertible Bond I. Such action may have a significant negative impact on the operation, business, credibility and reputation of the Company. Moreover, the Company may face potential litigation from Waste Resources G.P. Limited. Having considered the above, the Independent Financial Adviser therefore upholds its view that the redemption of the Convertible Bond I which constitutes a special deal is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Regarding the change in the use of proceeds from the Rights Issue, due to the delay of the Right Issue, the Company resolved to utilise approximately HK\$131 million from the Group's internal resources (which is currently earmarked for the Xingtai Investment), HK\$50 million from the proceeds of the Shareholder's Loan and HK\$30 million from the proceeds of the Short Term Loan to finance the redemption of the Convertible Bond I. The Independent Financial Adviser considers such action is merely to facilitate the timely fulfillment of the Company's contractual obligation under the terms of the Convertible Bond I. Under the current proposed change of use of proceeds from the Rights Issue, an aggregate of approximately HK\$211 million proceeds from the Rights Issue will be used to finance Xingtai Investment (approximately HK\$131 million), to repay the Shareholder's Loan (approximately HK\$50 million) and the Short Term Loan (approximately HK\$30 million), which can be viewed as an indirect way to finance the redemption of the Convertible Bond I, and is in line with the original intended use of such amount of proceeds to repay debt. With the rest of the use of proceeds remaining unchanged, i.e. approximately HK\$160 million for funding mergers and acquisitions and other investments in waste treatment and/or waste-to-energy projects in the PRC and the remaining balance for the general working capital of the Group, the Independent Financial Adviser therefore considers that effectively there will be no material change in the use of proceeds from the Rights Issue. Given that all other terms of the Rights Issue remain unchanged, the Independent Financial Adviser therefore upholds its view that the Rights Issue is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, the Independent Financial Adviser maintains its recommendation to the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the New EGM to approve the Rights Issue, the Whitewash Waiver and the Special Deals.

GENERAL

As disclosed in the Initial Circular, the repayment of the Convertible Bond I using the net proceeds from the Rights Issue constitutes a special deal for the Company under Rule 25 of the Takeovers Code. For the avoidance of doubt, the repayment of the Convertible Bond I, regardless of its source of funding, constitutes a special deal for the Company under Rule 25 of the Takeovers Code. Therefore, the repayment of the Convertible Bond I by utilising the Group's internal resources, and proceeds from the Shareholder's Loan and the Short Term Loan remains constituting a special deal for the Company under Rule 25 of the Takeovers Code.

With the approval of the Shareholders at the EGM, the EGM was adjourned until further notice. The Directors consider it is in the interest of the Shareholders to consider the Adjourned Resolutions and the resolution to approve the redemption of the Convertible Bond I altogether at the same meeting. Therefore, the Board has resolved not to re-convene the

adjourned EGM and to let the EGM stand adjourned indefinitely. Instead, the Board announces to convene the New EGM to be held at 11:00 a.m. on Friday, 31 May 2013 at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong to consider, and if thought fit, approve the New Resolutions. Please refer to the notice of New EGM, which contains, among others, resolutions in relation to the Rights Issue, the Whitewash Waiver and the special deal in respect of the Set-off Arrangement that are substantially similar to the Adjourned Resolutions, together with a resolution in relation to the redemption of the Convertible Bond I, and the accompanying proxy form which are of the same date of this announcement.

The Underwriter, Waste Resources G.P. Limited and parties acting in concert with any of them and those who are involved or interested in the Rights Issue, the Whitewash Waiver and/or the Special Deals and their respective associates are required by the Listing Rules or the Takeovers Code to abstain from voting on the New Resolutions at the New EGM.

The Group had drawn down a total of approximately HK\$286.1 million from an existing banking facility on 29 March and 8 April 2013, respectively, which was secured by the corporate guarantee of Beijing Capital, which own 100% equity interest of the Underwriter, and a wholly-owned subsidiary, for the construction of waste treatment plant in Nanchang, Jiangxi Province, the PRC. Save as the aforesaid and disclosed in this announcement, there is no other change in the terms and condition to the Rights Issue, the Whitewash Waiver, the Special Deals and the transaction contemplated thereunder as disclosed in the Initial Circular, and there are no other material changes to the information disclosed in the Initial Circular.

REVISED TIMETABLE OF THE RIGHTS ISSUE

The expected timetable of the Rights Issue has been revised and is set out below:

Event	Date
Latest time for lodging proxy form for the New EGM (not less than 48 hours before time of the New EGM)	11:00 a.m. on Wednesday, 29 May 2013
Cut off time for determining the identity of Shareholders who are entitled to attend and vote at the New EGM	4:30 p.m. on Thursday, 30 May 2013
New EGM	11:00 a.m. on Friday, 31 May 2013
Announcement of results of the New EGM to be published on the Stock Exchange website	Friday, 31 May 2013
Last day of dealings in Shares on a cum-rights basis	Monday, 3 June 2013
First day of dealings in Shares on an ex-rights basis	Tuesday, 4 June 2013
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on Wednesday, 5 June 2013

Register of members of the Company closes for the Right Issue (both days inclusive)	Thursday, 6 June 2013 to Thursday, 13 June 2013
Record Date	Thursday, 13 June 2013
Register of members of the Company re-opens	Friday, 14 June 2013
Despatch of the Rights Issue Documents	Friday, 14 June 2013
First day of dealings in nil-paid Rights Shares	Tuesday, 18 June 2013
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Thursday, 20 June 2013
Last day of dealings in nil paid Rights Shares	Tuesday, 25 June 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, 28 June 2013
Underwriting Agreement becoming unconditional	4:00 p.m. on Wednesday, 3 July 2013
Announcement of results of allotment of the Rights Issue to be published on the Stock Exchange website	Friday, 5 July 2013
Despatch of certificates for fully-paid Rights Shares and refund cheques on or before	Monday, 8 July 2013
Commencement of dealings in full-paid Rights Shares	9:00 a.m. on Tuesday, 9 July 2013

All time and dates in this announcement are reference 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.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Shares will be dealt in on an ex-rights basis from Tuesday, 4 June 2013. Dealings in the Rights Shares in the nil-paid form will take place from Tuesday, 18 June 2013 to Tuesday, 25 June 2013 (both days inclusive). If the conditions of the Rights Issue are not fulfilled and/or waived on or before 4:00 p.m. on Wednesday, 3 July 2013 (or such later time and/or dates as the Company and the Underwriter may determine), or the Underwriting Agreement is terminated by the Underwriter or the Whitewash Waiver is not granted, the Rights Issue will not proceed. Any persons contemplating buying or selling Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled and/or waived, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 18 June 2013 and Tuesday, 25 June 2013 (both days inclusive), bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealing in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

DEFINITIONS

In this announcement, unless a contrary indication appears, terms used in the Initial Circular have the same meanings and construction. In addition:

“Adjourned Resolutions”	resolutions 1 to 3 set out in the notice of the EGM in relation to the Rights Issue, the Whitewash Waiver and the special deal in respect of the Set-off Arrangement
“EGM”	the extraordinary general meeting of the Company held on 7 May 2013 and adjourned indefinitely
“HIBOR”	Hong Kong Interbank Offered Rate
“Initial Circular”	the Company’s circular dated 19 April 2013 in relation to, among other things, the proposed Rights Issue and application for Whitewash Waiver and Special Deals consent
“New EGM”	an extraordinary general meeting of the Company to be convened for 31 May 2013 for purposes of considering, and if thought fit, approving the New Resolutions
“New Resolutions”	resolutions in relation to the Rights Issue, the Whitewash Waiver and the special deal in respect of the Set-off Arrangement that are substantially similar to the Adjourned Resolutions, together with a resolution in relation to the redemption of the Convertible Bond I
“Shareholder’s Loan”	the Shareholder’s loan of principal amount of HK\$50,000,000 pursuant to the Shareholder’s Loan Agreement
“Shareholder’s Loan Agreement”	the loan agreement entered into between the Underwriter and the Company on 13 May 2013 in respect of the provision of the Shareholder’s Loan by the Underwriter
“Short Term Loan”	the short term loan amount of up to HK\$30,000,000 pursuant to the Short Term Loan Facility Letter

- “Short Term Loan Facility Letter” the facility letter entered into between the Company and a financial institution on 13 May 2013
- “Xingtai Investment” the waste treatment project of the Group in Xingtai, Hebei Province, the PRC, details of which are disclosed in the Company’s announcement dated 22 August 2012

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

Hong Kong, 13 May 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.