

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.



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)

VERY SUBSTANTIAL ACQUISITION

VERY SUBSTANTIAL ACQUISITION

Reference is made to the announcement of the Company dated 2 April 2013 in respect of the possible acquisition of a Huizhou solid waste incineration power generation project. The Board is pleased to announce that the Group has concluded the terms of the acquisition and entered into the Acquisition Agreement on 9 August 2013.

On 9 August 2013, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Acquisition Agreement. Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Capital, representing approximately 97.85% interest in the Target Company at a consideration of RMB20 million (equivalent to approximately HK\$25 million). Apart from the payment of the Consideration, the Purchaser has agreed to finance the repayment of the Liabilities. Based on the information provided by the Target Company to the Company, as at 31 March 2013, the Liabilities amounted to approximately RMB197 million (equivalent to approximately HK\$246.3 million). The Company intends to finance the Consideration (together with the repayment of the Liabilities) by the Group's internal resources, the proceeds from the Rights Issues, equity financing, debt financing and/or shareholder's loans. As at the date of this announcement, the Board has not yet determined the split of the source of funding for the Consideration.

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group's accounts.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC with registered capital of RMB245,600,000 (equivalent to approximately HK\$307.0 million). The Target Company is principally engaged in waste treatment and waste-to-energy generation project through operating the Existing Waste Treatment Plant, which is located in Gonglian Village, Huizhou City, Guangdong Province, the PRC. As at the date of the Acquisition Agreement, the Target Company was owned as to approximately 97.85% by the Vendors and approximately 2.15% by 惠州市垃圾處理廠 (Huizhou City Waste Treatment Plant*).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements as set out in Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, further details of the Acquisition and the notice convening the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for the preparation of certain information to be included in the circular, including the valuation report on the Target Company and the accountants' report of the Target Company, it is expected that the circular will be despatched to the Shareholders on or before 30 September 2013.

SUSPENSION AND RESUMPTION OF TRADING OF SHARES

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 12 August 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading of the Shares on the Stock Exchange at 9:00 a.m. on 20 August 2013.

Reference is made to the announcement of the Company dated 2 April 2013 in respect of the possible acquisition of a Huizhou solid waste incineration power generation project. The Board is pleased to announce that the Group has concluded the terms of the acquisition and entered into the Acquisition Agreement after trading hours on 9 August 2013.

THE ACQUISITION AGREEMENT

Details of the Acquisition Agreement are as follows:

Date

9 August 2013

Parties

Vendors: Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd.

Purchaser: Capital Solid Green Energy Investment Limited, a wholly-owned subsidiary of the Company

As at the date of this announcement, the Target Company is owned as to approximately 40.85% by Richway Investment Management Limited, approximately 57% by Huizhou Energy(s) Pte. Ltd. and approximately 2.15% by 惠州市垃圾處理廠 (Huizhou City Waste Treatment Plant*), which is wholly-owned by the Huizhou Government. Richway Investment Management Limited is principally engaged in equity investment in municipal public infrastructure projects and environmental protection projects. Huizhou Energy(s) Pte. Ltd. is principally engaged in investment in energy related projects and provision of engineering services, plant construction and infrastructure services for other projects. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Vendors and 惠州市垃圾處理廠 (Huizhou City Waste Treatment Plant*) and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The assets to be acquired are the Sale Capital, representing approximately 97.85% interest in the Target Company. Pursuant to the Acquisition Agreement, the Vendors will sell all of their equity interest in the Target Company to the Purchaser. Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group's accounts.

Consideration

The Consideration for the Sale Capital is RMB20 million (equivalent to approximately HK\$25 million). The Consideration will be payable in the following manner:

- (a) RMB8 million (equivalent to approximately HK\$10 million), being the Earnest Money, shall be payable within ten days after the signing of the Acquisition Agreement; and
- (b) the remaining RMB12 million (equivalent to approximately HK\$15 million) shall be payable within fifteen business days after Completion.

Pursuant to the Acquisition Agreement, upon the payment of the Earnest Money, the Vendors will provide documents to the Purchaser, including but not limited to the required documents for the registration of transfer of the Sale Capital to the Purchaser, so as to enable the Purchaser to exercise the operation right over the Target Company.

Repayment of the Liabilities

Based on the information provided by the Target Company to the Company, the Target Company had total loans and payables amounted to RMB378 million (equivalent to approximately HK\$472.5 million) as at 31 March 2013, which comprised (i) a long term bank loan of RMB181 million (equivalent to approximately HK\$226.2 million); (ii) amount due to related companies controlled by the Vendors, other companies related to the Vendors and certain individuals of approximately RMB127 million (equivalent to approximately HK\$158.8 million) in aggregate; and (iii) payables due to entities other than those related to the Vendors of approximately RMB70 million (equivalent to approximately HK\$87.5 million) in aggregate. Pursuant to the Acquisition Agreement, the Purchaser has agreed to finance the repayment of the Liabilities (being items (ii) and (iii)) by paying a total sum of RMB197 million (equivalent to approximately HK\$246.3 million) into a designated account jointly controlled by the Purchaser and the Vendors for making payments for the Liabilities in the following manner:

- (a) following all the conditions precedent as set out under the paragraph headed “Conditions precedent for financing the repayment of the Liabilities and Completion” below having been fulfilled, the Purchaser shall pay RMB100 million (equivalent to approximately HK\$125 million) as the first instalment of the repayment of the Liabilities (the “**First Instalment**”); and
- (b) within seven days after the First Instalment amount mentioned above has been fully utilised for repaying the same amount of the Liabilities, the Purchaser shall pay the remaining of RMB97 million (equivalent to approximately HK\$121.3 million) as the second instalment for the repayment of the Liabilities.

Pursuant to the Acquisition Agreement, the First Instalment shall be first used to pay up the unpaid registered capital of the Target Company owed by Huizhou Energy(s) Pte. Ltd. of approximately RMB20.6 million (equivalent to approximately HK\$25.8 million). Such amount of capital paid to the Target Company will in turn be used to repay the same amount of the Liabilities. The transfer of the Sale Capital to the Purchaser shall be completed within ten days after the payment of the First Instalment. If the transfer is not completed in the aforesaid period, the Vendors shall compensate the Purchaser any costs or loss incurred by the Purchaser.

In the event that the actual amount of loans and liabilities of the Target Company as at 31 March 2013, based on the audited financial statements of the Target Company to be prepared based on Hong Kong Financial Reporting Standards, is higher than RMB378 million (equivalent to approximately HK\$472.5 million), the related companies of the Vendors are required to waive the amount due to them by the Target Company on a dollar-to-dollar basis for any amount above RMB378 million. In the event that the excess loans and liabilities of the Target Company above RMB378 million is larger than the amount due to the related companies of the Vendors, the Purchaser will request the Vendors, who will procure their related companies, to compensate the Purchaser and/or the Target Company the excess amount on a dollar-to-dollar basis and any costs or loss incurred by them.

The Company intends to finance the Consideration (together with the repayment of the Liabilities) by the Group’s internal resources, the proceeds from the Rights Issues, equity financing, debt financing and/or shareholder’s loan. As at the date of this announcement, the Board has not yet determined the split of the source of funding for the Consideration.

The Consideration (together with the repayment of the Liabilities) was determined after arm’s length negotiations between the parties to the Acquisition Agreement with reference to the amount of Liabilities as at 31 March 2013, the proposed terms of the New Cooperation Agreement and that the fair value of the Target Company will be not less than RMB398 million (equivalent to approximately HK\$497.5 million), based on a valuation report to be prepared by an independent valuer appointed by the Company. The valuation report will be contained in the circular in respect of the Acquisition to be despatched to the Shareholders in due course.

Conditions precedent for financing the repayment of the Liabilities and Completion

The payment of the First Instalment of RMB100 million (equivalent to approximately HK\$125 million) by the Purchaser for financing the repayment of the Liabilities and Completion is subject to the following conditions precedent:

- (i) the Vendors, an independent auditor appointed by the Purchaser and the creditors of the Target Company together confirm the actual total amount of loans and liabilities of the Target Company as at 31 March 2013 and issue a written confirmation thereof;
- (ii) the Purchaser having received an unqualified accountants' report of the Target Company as at 31 March 2013 from an auditor appointed and engaged by the Purchaser;
- (iii) the Purchaser having received the undertakings from 惠州市春昇環保能源發展有限公司 (Huizhou Chunxing Environmental Energy Development Company Limited*) and 惠州市貝信實業有限公司 (Huizhou Beixing Company Limited*), which are related companies controlled by the Vendors and are creditors of the Liabilities, undertaking that in the event that the total amount of loans and liabilities of the Target Group as at 31 March 2013 is more than RMB378 million (equivalent to approximately HK\$472.5 million), they agree to waive the repayment of the payables owed to them as to such excess amount;
- (iv) the passing by the Shareholders of all resolution(s) required under the Listing Rules to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM; and
- (v) the Huizhou Government, the Purchaser and the Target Company having entered into the New Cooperation Agreement.

In the event that condition precedent (v) cannot be fulfilled within 90 days upon the signing of the Acquisition Agreement, the Acquisition Agreement shall be automatically terminated forthwith and cease to be of any effect on the parties to the Acquisition Agreement.

The Vendors shall refund the Earnest Money in full to the Purchaser under any of the following circumstances:

- (a) the Vendors fail to transfer the Sales Capital to the Purchaser;
- (b) condition (i) above has not been satisfied within 60 days upon the signing of the Acquisition Agreement;
- (c) the Vendors fail to provide assistance to fulfil condition (ii) above within 30 days upon the signing of the Acquisition Agreement;
- (d) condition (iii) above has not been satisfied within ten days upon the signing of the Acquisition Agreement; or
- (e) condition (iv) above has not been satisfied.

Completion

Pursuant to the Acquisition Agreement, Completion shall take place after all the conditions precedent have been fulfilled and upon the completion of the registration of transfer of the Sale Capital to the Purchaser with the relevant government authority.

INFORMATION OF THE TARGET COMPANY

Overview

The Target Company was established in the PRC with registered capital of RMB245,600,000. The Target Company is principally engaged in waste treatment and waste-to-energy generation project through operating the Existing Waste Treatment Plant, which is located in Gonglian Village, Huizhou City, Guangdong Province, the PRC. As at the date of the Acquisition Agreement, the Target Company was owned as to approximately 97.85% by the Vendors and approximately 2.15% by 惠州市垃圾處理廠 (Huizhou City Waste Treatment Plant*).

New Cooperation Agreement

On 3 August 2001, the Huizhou Government and the Target Company entered into the Existing Cooperation Agreement, pursuant to which, the parties agreed to cooperate in the operation of the Existing Waste Treatment Plant in the form of “Build-Operate-Transfer” (BOT) for 27 years. In view of the historical performance of the Existing Waste Treatment Plant, the Huizhou Government considered the need to construct a new waste treatment plant of higher production efficiency and larger capacity in Huizhou in place of the Existing Waste Treatment Plant to improve the productivity. Pursuant to the Acquisition Agreement, the Vendors will procure the Huizhou Government, the Target Company and the Purchaser to enter into the New Cooperation Agreement within 90 days after the signing of the Acquisition Agreement in respect of the construction and operation of the New Waste Treatment Plant. The New Cooperation Agreement will supersede the Existing Cooperation Agreement. It is intended that the Existing Waste Treatment Plant will continue to operate under the New Cooperation Agreement until 2016, by then it will be replaced by the New Waste Treatment Plant. The New Waste Treatment Plant will also be operated in the form of BOT for a term of 30 years. It is intended that during 2014 to 2016, the Huizhou Government will provide subsidies to the Target Company for the operation of the Existing Waste Treatment Plant. Construction of the New Waste Treatment Plant is expected to be completed in 2016 and the plant is expected to commence operation in 2017. It is intended that the Huizhou Government will procure not less than 540,000 tons of municipal solid waste per year for the New Waste Treatment Plant to process for power generation. The Huizhou Government will provide subsidies to the Target Company for the operation of the New Waste Treatment Plant. It should be noted that the Purchaser, the Target Company and the Huizhou Government have yet to agree upon the terms of the New Cooperation Agreement, therefore the aforesaid proposed terms of the New Cooperation Agreement are subject to change.

Financial information of the Target Company

Set out below is the financial information of the Target Company:

	For the year ended 31 December		For the three months ended
	2011	2012	31 March
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	(74)	(20)	(4)
Loss before tax	24	81	13
Loss after tax	24	81	13

The unaudited net liabilities of the Target Company was approximately RMB84 million as at 31 March 2013 (equivalent to approximately HK\$105 million).

REASONS FOR AND BENEFITS OF THE ACQUISITION

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 disclosed in the annual report of the Company for the year ended 31 December 2012, the PRC government has implemented proactive measures to promote the waste treatment industry. In 2012, the PRC government ranked energy conservation and environmental protection first among the seven “Strategic Emerging Industries” under its “Twelfth Five-Year Plan”. The National Development and Reform Commission has also refined the waste-to-energy tariff policy and provided concrete support to the environmental protection industry through special subsidies. In expectation of the great market potential underscored by favourable national policies, the Group will endeavour to seize opportunities in the environmental protection and alternative energy industries to deliver stronger results for the Shareholders. As such, the Directors believe that it is beneficial for the Group to acquire the Target Company engaging in waste treatment industry in PRC which is in line with the Group’s business strategy. The Directors also expected that the Acquisition will strengthen the Group’s business profile and allow the Group to capture the business opportunity under the PRC government’s proactive support to the waste treatment industry.

Having considered the followings including but not limited to the (i) the positive prospects of the waste treatment industry in the PRC; (ii) the proactive measures and subsidies provided by the PRC government to the waste treatment industry; (iii) the exclusive right of 30 years for the operation of the New Waste Treatment Plant to be granted to the Target Company; and (iv) the expected operational and financial performance of the New Waste Treatment Plant, the Directors (including the independent non-executive Directors) consider the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios for the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements as set out in Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, further details of the Acquisition and the notice convening the EGM will be despatched to the Shareholders as soon as practicable. As additional time is required for the preparation of certain information to be included in the circular, including the valuation report on the Target Company and the accountants' report of the Target Company, it is expected that the circular will be despatched to the Shareholders on or before 30 September 2013.

SUSPENSION AND RESUMPTION OF TRADING OF SHARES

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 12 August 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading of the Shares on the Stock Exchange at 9:00 a.m. on 20 August 2013.

DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser of the Sale Capital and the repayment of the Liabilities subject to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 9 August 2013 entered into between the Purchaser and the Vendors in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors from time to time
“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
“Completion”	the completion of the Acquisition, being completion of the relevant registration of the transfer of the Sale Capital to the Purchaser at the relevant government authorities
“Consideration”	the sale and purchase price of the Sale Capital of RMB20 million pursuant to the Acquisition Agreement
“Directors”	the directors of the Company
“Earnest Money”	RMB8 million, being the first instalment of the Consideration under the Acquisition Agreement

“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Acquisition and the transactions contemplated thereunder
“Existing Cooperation Agreement”	the cooperation agreement dated 3 August 2001 entered into between the Target Company and the Huizhou Government in relation to the joint operation of the Existing Waste Treatment Plant
“Existing Waste Treatment Plant”	the waste treatment plant which is located in Gonglian Village, Huizhou City, Guangdong Province, the PRC. It is jointly operated by the Target Company and Huizhou Government for waste treatment and waste-to-energy generation
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou Government”	惠州市市容環境衛生管理局 (Huizhou Environmental and Hygiene Control Authority*)
“Independent Third Party(ies)”	party(ies) who is/are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Liabilities”	the portion of the liabilities of the Target Company which are arranged under the Acquisition Agreement to be repaid with the funds to be financed by the Purchaser, which amounted to approximately RMB197 million (equivalent to approximately HK\$246.3 million) in aggregate as at 31 March 2013, comprising (i) amount due to related companies controlled by the Vendors, other companies related to the Vendors and certain individuals of approximately RMB127 million (equivalent to approximately HK\$158.8 million) in aggregate; and (ii) payables due to entities other than those related to the Vendors of approximately RMB70 million (equivalent to approximately HK\$87.5 million) in aggregate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Cooperation Agreement”	the new cooperation agreement to be entered into among the Purchaser, the Target Company and the Huizhou Government in relation to joint operation of the Existing Waste Treatment Plant and the New Waste Treatment Plant which shall supersede the Existing Cooperation Agreement
“New Waste Treatment Plant”	a waste treatment plant to be built under the New Cooperation Agreement
“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
“Purchaser”	Capital Solid Green Energy Investment Limited, a company incorporated in Hong Kong with limited liabilities and a wholly-owned subsidiary of the Company

“Rights Issue”	the issue of right shares by the Company, details of which were set out in the circular and prospectus of the Company dated 19 April 2013 and 14 June 2013, respectively
“Sale Capital”	being approximately 97.85% interest in the Target Company
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*), a company established in the PRC with limited liability
“Vendors”	Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd.
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC and the exchange rate between RMB and HK\$ for the purpose of this announcement is HK\$1:RMB0.8

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

Hong Kong, 19 August 2013

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Yu Chang Jian, Mr. Cao Guo Xian, Mr. Liu Xiao Guang 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.

* *For identification purpose only*