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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)

VERY SUBSTANTIAL ACQUISITION

THE ACQUISITION

Reference is made to the Company's announcement dated 6 June 2013 in relation to the Letter of Intent in respect of the proposed acquisition of the Target Company. Following review of the result of the due diligence investigation, audit and assessment on the Target Company, the Board is pleased to announce that on 3 September 2013, Capital Solid, an indirect wholly-owned subsidiary of the Company entered into the Agreement with the Vendors pursuant to which Capital Solid has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Capital for a total consideration of RMB118.8 million (equivalent to approximately HK\$149.7 million). Upon Completion, the Company will own 55% of the Target Company, and its financial results will be consolidated into the Group's accounts.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in August 2010, with registered capital of RMB216 million (equivalent to approximately HK\$272.2 million) as at 31 March 2013. It is located in the Huaian Industrial Park, Huaian, Jiangsu Province, the PRC. The Target Company has the qualification to recycle and disassemble waste electrical and electronic equipment. It is also among the first batch of companies qualified to enjoy subsidies provided by the PRC government for the disposal of waste electric and electronic products.

LISTING RULES IMPLICATION

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 to approve the Acquisition, 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, 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 4 September 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 6 September 2013.

Reference is made to the Company's announcement dated 6 June 2013 in relation to the Letter of Intent in respect of the propose acquisition of the Target Company. The Board is pleased to announce that the Group has concluded the terms of the acquisition and entered into the Agreement after trading hours on 3 September 2013.

THE AGREEMENT

Details of the Agreement are as follows:

Date

3 September 2013

Parties

Vendors:

1. Mr. Chen;
2. 張玉道 (Mr. Zhang Yudao*);
3. 張立飛 (Mr. Zhang Lifei*); and
4. 淮南市雙龍偉業科技有限公司 (Huaian Shuanglong Weiye Technology Company Limited*)

Purchaser: Capital Solid, an indirect wholly-owned subsidiary of the Company

As at the date of this announcement, the Target Company is owned as to 58% by Mr. Chen, 32.37% by Mr. Zhang Yudao, 5% by Mr. Zhang Lifei and 4.63% by Huaian Shuanglong Weiye Technology Company Limited. Huaian Shuanglong Weiye Technology Company Limited, which is owned as to 90% by Mr. Chen and 10% by an independent third party, is a company established under the PRC law and is principally engaged in research and development in technology of power machinery energy saving, sales of motor vehicles and relevant accessories, sales of car decoration materials, provision of car rental, business information services, conference and exhibition services and property management, etc. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Vendors and their ultimate beneficial owner(s) are third parties independent of and not connected with the Company or any of its connected persons.

Mr. Chen has executed a personal guarantee in favour of Capital Solid in respect of the obligations of the Vendors under the Agreement.

Assets to be acquired

The assets to be acquired under the Agreement are the Sale Capital, representing 55% of the registered capital of the Target Company. Pursuant to the Agreement, Mr. Zhang Yudao, Mr. Zhang Lifei and Huaian Shuanglong Weiye Technology Company Limited will sell all of their interest in the Target Company to Capital Solid, while Mr. Chen will sell 13% interest of the Target Company to Capital Solid. Upon Completion, the Target Company will be owned as to 55% by Capital Solid and 45% by Mr. Chen. 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 RMB118.8 million (equivalent to approximately HK\$149.7 million). As at the date of this announcement, pursuant to the Letter of Intent, the Group had paid an amount of RMB10 million (equivalent to approximately HK\$12.6 million) as earnest money, and such earnest money will be treated as part of the Consideration. The remaining Consideration of RMB108.8 million (equivalent to approximately HK\$137.1 million) will be payable within five business days after Completion. The earnest money is fully refundable if the Agreement does not become unconditional or any party to the Agreement terminates the Agreement prior to it becoming unconditional. The Company intends to finance the Consideration 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 of the Consideration.

The Consideration was determined after arm's length negotiations between the parties to the Agreement taking into account the prospects of the Target Company, the reasons for and benefits of the Acquisition as stated in the section headed "Reasons for and benefits of the Acquisition" below and the condition precedent of the Agreement that the market value of 55% equity interest of the Target Company as at 31 March 2013 will be not less than RMB118.8 million (equivalent to approximately HK\$149.7 million) based on a valuation report to be prepared by an independent valuer engaged 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

Completion is conditional upon the following:

- (i) the passing by the Shareholders of all resolution(s) required under the Listing Rules to approve the Agreement and the transactions contemplated thereunder at the EGM; and
- (ii) the Company having received a valuation report issued by an independent valuer indicating that the market value of 55% equity interest of the Target Company as at 31 March 2013 was not less than RMB118.8 million (equivalent to approximately HK\$149.7 million).

In addition, the parties agreed in the Agreement that the related companies controlled by Mr. Chen will settle the amount due from them to the Target Company of approximately RMB110.9 million (equivalent to approximately HK\$139.7 million) as at 31 March 2013 prior to Completion.

Completion

Completion shall take place upon fulfilment of the conditions precedent as stated above and completion of the relevant registration of the transfer of Sale Capital to Capital Solid with the relevant government authority(ies).

INFORMATION OF THE TARGET COMPANY

The Target Company was established in August 2010 under the PRC law with registered capital of RMB216 million (equivalent to approximately HK\$272.2 million) as at 31 March 2013. It is located in the Huaian Industrial Park, Huaian, Jiangsu Province, the PRC.

Pursuant to the notice dated 11 July 2012 in relation to the first batch of qualified electric and electronic product waste treatment companies jointly issued by the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the Ministry of Environmental Protection of the PRC, the Target Company was granted the qualification to recycle and disassemble waste electrical and electronic equipment in the PRC. It is also among the first batch of companies qualified to enjoy subsidies provided by the PRC government for the disposal of waste electric and electronic products.

Pursuant to the Administrative Measures, the Target Company is entitled to government subsidies for the treatment of certain waste electric and electronic products, namely television, refrigerator, washing machine, air-conditioner and computer. The total number of waste electric and electronic products treated by the Target Company for the second half of 2012 was 220,005 sets of television. In addition, the Target Company has treated approximately 615,000 sets of waste electric and electronic products, which mainly comprised television, for the first half of 2013.

Set out below is a summary of the unaudited key financial information of the Target Company prepared in accordance with PRC accounting standards:

	Year ended 31 December		Three months ended
	2011	2012	31 March 2013
	(RMB million)	(RMB million)	(RMB million)
Turnover	0.3	26.2	35.3
Net profit/(loss) before tax	(6.4)	(97.2)	13.2
Net profit/(loss) after tax	(7.8)	(106.7)	10.3

Government subsidy is the main source of turnover of the Target Company. The Administrative Measures was approved by the State Council of the PRC in May 2012 and the Target Company became eligible to the government subsidies since the second half of 2012. Therefore, the turnover of the Target Company increased from approximately RMB0.3 million (equivalent to approximately HK\$0.4 million) for the year ended 31 December 2011 to approximately RMB26.2 million (equivalent to approximately HK\$33.0 million) for the year ended 31 December 2012. The turnover of the Target Company increased further to approximately RMB35.3 million (equivalent to approximately HK\$44.5 million) for the three months ended 31 March 2013, mainly attributable to the increase in the number of waste electric and electronic products treated by the Target Company during the period. The Target Company recorded a net loss after tax of approximately RMB7.8 million (equivalent to approximately HK\$9.8 million) for the year ended 31 December 2011, and the net loss after tax of the Target Company increased to approximately RMB106.7 million (equivalent to approximately HK\$134.4 million) for the year ended 31 December 2012, mainly due to the written-off of approximately RMB98.9 million (equivalent to approximately HK\$124.6 million) of amount due from a related company owned by Mr. Chen and Mr. Zhang Yudao.

The unaudited net asset value and the total asset of the Target Company as at 31 March 2013 were approximately RMB111.2 million (equivalent to approximately HK\$140.1 million) and RMB261.6 million (equivalent to approximately HK\$329.6 million), respectively.

As at 31 March 2013, the Target Company has an amount due from related companies controlled by Mr. Chen of approximately RMB110.9 million (equivalent to approximately HK\$139.7 million). Pursuant to the Agreement, Mr. Chen will procure and ensure the aforesaid related companies to repay such amount in full before completion of the relevant registration of the transfer of Sale Capital with the relevant government authority(ies).

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 of the PRC 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 which allows the Group to expand its business in the waste treatment industry in PRC and 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 measures in the waste treatment industry.

Having considered the followings, including, but not limited to, (i) the positive prospects of the waste treatment industry in the PRC; (ii) the proactive measures and subsidy provided by the PRC government to the waste treatment industry; and (iii) the operational and financial performance of the Target Company, the Directors (including the independent non-executive Directors) consider the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Capital by Capital Solid from the Vendors subject to the terms and conditions of the Agreement
“Administrative Measures”	廢棄電器電子產品處理基金徵收使用管理辦法 (the Administrative Measures on Collection and Use of the Fund of Disposing Waste Electrical and Electronic Products*) promulgated by the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC, the Ministry of Environmental Protection of the PRC, the General Administration of Customs of the PRC and the State Administration of Taxation
“Agreement”	the conditional sale and purchase agreement dated 3 September 2013 entered into between Capital Solid and the Vendors in relation to the Acquisition
“Board”	the board of Directors

“Capital Solid”	北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*) (formerly known as 上海環境百瑪士投資有限公司 (Shanghai Environmental Biomax Investment Limited*)), a company established under the PRC law and an indirect wholly-owned subsidiary of the Company
“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 Capital Solid with the relevant government authority(ies)
“Consideration”	RMB118.8 million (equivalent to approximately HK\$149.7 million), the sale and purchase price of the Sale Capital pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Letter of Intent”	letter of intent for cooperation entered into between Capital Solid and Mr. Chen on 6 June 2013, details of which was disclosed in the Company’s announcement dated 6 June 2013
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	陳耀武 (Chen Yaowu*), who owned 58% of the registered capital of the Target Company before the Acquisition, and will own 45% of the registered capital of the Target Company upon Completion
“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
“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 55% of the registered capital of 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”	江蘇蘇北廢舊汽車家電拆解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*), a company established under the PRC law
“Vendors”	Mr. Chen, 張玉道 (Zhang Yudao*), 張立飛 (Zhang Lifei*) and 淮安市雙龍偉業科技有限公司 (Huaian Shuanglong Weiye Technology Company Limited*)
“%”	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 RMB1 : HK\$1.26

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

Hong Kong, 5 September 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 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*