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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN A PROJECT COMPANY BY WAY OF CAPITAL INJECTION

FRAMEWORK AGREEMENT

The Board is pleased to announce that on 9 July 2010, JBEL entered into the Framework Agreement with Zhenhuan Enterprise pursuant to which the parties have agreed, amongst other things, as follows:

- (1) JBEL (its affiliated company or any entity designated by JBEL) will participate in the Capital Increase by injecting registered capital of up to RMB78.9 million (equivalent to approximately HK\$89.95 million) to the Project Company, thereby increasing its Equity Interest from 33.80% to up to approximately 63.00%, subject to the governmental approvals of the Capital Increase having been obtained;
- (2) JBEL will advance loan of RMB91.2 million (equivalent to approximately HK\$103.97 million) for the purpose of repayment of an existing bank loan of the Project Company or guarantee the existing loan of the Project Company so as to release the guarantee provided by Zhenhuan Enterprise in respect of such loan; and
- (3) upon the end of the construction period of the project to be operated and owned by the Project Company, JBEL will gradually acquire the Equity Interest from Zhenhuan Enterprise so as to reduce the Equity Interest held by the latter to 9% or below and, subject to the requirements under all applicable laws and regulations and, where applicable, with the consents of the other equity interest holders of the Project Company and governmental authorities, JBEL will further acquire the remaining Equity Interest held by Zhenhuan Enterprise.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Zhenhuan Enterprise and its ultimate beneficial owners is an Independent Third Party.

As the relevant percentage ratios (as defined in the Listing Rules) for the Acquisition are 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:30 a.m. of 8 June 2010 pending release of an announcement containing price sensitive information. Trading in the Shares will remain suspended pending release of such announcement.

INTRODUCTION

JBEL, a wholly owned subsidiary of the Company, is an equity holder of the Project Company which is a sino-foreign joint venture enterprise established in the PRC for the purpose of engaging in a waste treatment and waste-to-energy project in Shanghai, PRC. As at the date of this announcement, the entire Equity Interest was owned as to 33.80%, 37.00% and an aggregate of 29.20% by JBEL, Zhenhuan Enterprise and the Other Equity Holders, respectively. The Project Company proposed to increase its registered capital by approximately RMB78.9 million (equivalent to approximately HK\$89.95 million). Holders of the Equity Interest are entitled to participate in the Capital Increase.

The Board is pleased to announce that on 9 July 2010, JBEL and Zhenhuan Enterprise entered into the Framework Agreement in relation to, among other things, the Capital Increase, details of which are set out below:

Parties

Party A : Zhenhuan Enterprise

Party B : JBEL

Zhenhuan Enterprise is an 全民所有制企業 (Enterprise Owned by the Whole People) established in the PRC in 1993. Its scope of business includes planning and construction of environmental preservation projects, engineering equipment, accessories for vehicles, construction materials, development of waste disposal, technology consultancy, metallic materials, bio-chemical products, fabrics and raw materials, electronic parts, daily necessity, garment and fashion accessories, food, agricultural by-products and property investment and development.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Zhenhuan Enterprise and its ultimate beneficial owners is an Independent Third Party.

Principal terms of the Framework Agreement

Pursuant to the Framework Agreement, JBEL and Zhenhuan Enterprise have agreed to, amongst other things, (i) the Capital Injection; (ii) repayment of an existing bank loan of the Project Company so as to release the guarantee provided by Zhenhuan Enterprise in respect of such bank loan; and (iii) the Further Acquisitions.

Capital Injection

Subject to the Project Company having obtained the necessary governmental approvals for the Capital Increase, JBEL (its affiliated company or any entity designated by JBEL) will participate in the Capital Increase by injecting registered capital of approximately RMB78.9 million (equivalent to approximately HK\$89.95 million) in cash to the Project Company and Zhenhuan Enterprise, as an equity holder of the Project Company, will give up its right to participate in the Capital Increase. The Capital Increase is subject to the approvals of the PRC governmental authorities.

If all of the Other Equity Holders participate in the Capital Increase, JBEL may acquire approximately 16.32% of the Equity Interest through the Capital Injection, thereby increasing the Equity Interest held by it from approximately 33.80% to approximately 50.12%.

If none of the Other Equity Holders participates in the Capital Increase, JBEL may acquire approximately 29.20% of the Equity Interest through the Capital Injection, thereby increasing the Equity Interest held by it from approximately 33.80% to approximately 63.00%.

Repayment of an existing bank loan of the Project Company so as to release the guarantee provided by Zhenhuan Enterprise in respect of such bank loan

JBEL will advance loan of RMB91.2 million (equivalent to approximately HK\$103.97 million) to the Project Company for the purpose of repayment of an existing bank loan of the Project Company or guarantee the existing loan of the Project Company so as to release the guarantee provided by Zhenhuan Enterprise in respect of such bank loan before 25 July 2010. As at the date of this announcement, the existing loan of the Project Company amounts to about RMB170 million. It is proposed that the funds available to the Project Company from the Capital Increase, together with the loan of JBEL, will also be utilized to repay the existing loan. For this purpose, the Project Company may also provide its assets as collaterals to the lender of the Project Company.

Further Acquisitions

Upon the end of the construction period of the project to be operated and owned by the Project Company, JBEL will gradually acquire the Equity Interest from Zhenhuan Enterprise so as to reduce the Equity Interest held by the latter to 9% or below and, subject to the requirements under all

applicable laws and regulations and, where applicable, with the consents of the other equity interest holders of the Project Company and governmental authorities, JBEL will further acquire the remaining Equity Interest held by Zhenhuan Enterprise.

The terms of the Further Acquisitions have not been finalised. Formal agreements containing the terms of the respective Further Acquisitions will be entered into by JBEL and Zhenhuan Enterprise on or before 31 December 2010 (or such later date as the JBEL and Zhenhuan Enterprise may agree). The Company will comply with all requirements applicable to the Further Acquisitions under the Listing Rules, if any.

Completion

Completion of the Capital Injection will take place as soon as practicable after the Project Company having obtained the necessary approvals for the Capital Increase.

Upon completion of the Capital Injection, the Equity Interest held by JBEL (together with its designated entity to participate in the Capital Increase) will increase by up to approximately 16.32% to approximately 50.12%, if all of the Other Equity Holders participate in the Capital Increase; and will increase by up to approximately 29.20% to approximately 63.00%, if none of the Other Equity Holders participates in the Capital Increase. In either case, the Project Company will become a non-wholly owned subsidiary of the Company and its results will be consolidated into the results of the Group.

Compensation for breach

If JBEL fails to cause the release of the guarantee provided by Zhenhuan Enterprise in respect of an existing bank loan in accordance with the Framework Agreement before 25 July 2010, and fails to rectify such breach within the grace period of 6 business days (or such longer period as Zhenhuan Enterprise may specify), JBEL is liable to pay to Zhenhuan Enterprise RMB10 million as compensation, without prejudice to other remedies available to Zhenhuan Enterprise.

CONSIDERATION

The capital in the amount of approximately RMB78.9 million (equivalent to approximately HK\$89.95 million) to be injected by JBEL to the Project Company for the Capital Injection was determined after arm's length negotiation between JBEL and Zhenhuan Enterprise and is equivalent to the amount of the Capital Increase. The amount of Capital Increase was determined by the Project Company with reference to its capital requirement and the asset valuation (prepared by an independent professional valuer as agreed by JBEL and Zhenhuan Enterprise) of the Project Company as required under the relevant legal requirements in the PRC. On this basis, the Directors are of the view that the amount of Capital Injection is fair and reasonable.

INFORMATION ON THE PROJECT COMPANY

The Project Company is a sino-foreign joint venture enterprise established in Shanghai, PRC in 2003. It has secured a project to build, operate and own a waste treatment and electricity generation plant in Putuo District of Shanghai, the PRC. Since construction of the plant is still in progress, the Project Company has not yet generated any revenue. It is expected that the Project Company will generate revenue from receipt of waste treatment fee and electricity tariff after commencement of its operation, which is expected to take place in early 2011.

Based on the audited financial statements of the Project Company for the year ended 31 December 2009, the audited net asset value of the Project Company was approximately RMB100 million (equivalent to approximately HK\$114 million) as at 31 December 2009 and the Project Company recorded no profit or loss as it has not yet commenced operation.

REASONS FOR THE ACQUISITION

The Group is principally engaged in manufacturing and sales of apparel and accessories and provision of waste-to-energy technology and services, a sector in which the Group specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC.

The Board considers that the Group's waste treatment and waste-to-energy business segments have significant growth potential and it intends to allocate more resources to these segments. The Acquisition through the Capital Injection therefore is in line with the Group's corporate strategy and business development direction. In addition, the construction period of Project Company's project is expected to be completed by the end of 2010, after which the Project Company will commence operation in waste treatment and electricity generation and generate income through receipt of treatment fee and electricity tariff. The Board is of the view that it is now an appropriate time for the Group to increase its stake in the Project Company so as to enjoy more investment return from the Project Company in the foreseeable future. In view of the above, the Directors are of the view that the terms of the Framework Agreement are fair and reasonable so far as the Shareholders are concerned and the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the relevant percentage ratios (as defined in the Listing Rules) of the Acquisition are 5% or more but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the reporting and announcement requirements under Rule 14.34 of the Listing Rules.

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DEFINITIONS

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

“Acquisition”	the proposed acquisition of up to approximately 29.20% of the Equity Interest through the Capital Injection pursuant to the Framework Agreement;
“Board”	the board of Directors;
“Capital Increase”	the increase of registered capital of not more than RMB78.9 million by the Project Company;
“Capital Injection”	the proposed injection of registered capital of up to approximately RMB78.9 million to the Project Company through participation in the Capital Increase pursuant to the Framework Agreement;
“Company”	New Environmental Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Equity Interest”	the equity interest in the Project Company;
“Framework Agreement”	the agreement dated 9 July 2010 entered into between JBEL and Zhenhuan Enterprise in connection with, amongst other things, the Capital Injection;
“Further Acquisitions”	acquisitions of the remaining Equity Interest held by Zhenhuan Enterprise in the Project Company subsequent to the Capital Injection;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) which are independent of and not connected with the Company or its connected persons;
“JBEL”	J&B Environment Limited (安柏環保工程有限公司), a limited liability company incorporated in Hong Kong and is indirectly wholly owned by the Company as at the date of this announcement;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Other Equity Holders”	holders of an aggregate of approximately 29.20% of the Equity Interest as at the date of this announcement who are Independent Third Parties;
“PRC”	The People’s Republic of China and, for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan;
“Project Company”	上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Co. Ltd.*), a sino-foreign joint enterprise established in the PRC and the equity interest of which is owned as to approximately 33.80%, 37.00% and an aggregate of 29.20% by JBEL, Zhenhuan Enterprise and the Other Equity Holders, respectively, as at the date of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the holders of the Shares;
“Shares”	the ordinary shares of HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Zhenhuan Enterprise”	上海振環實業總公司 (Shanghai Zhenhuan Enterprise Co.*), an 全民所有制企業 (Enterprise Owned by the Whole People) established in the PRC in 1993.

By order of the Board
New Environmental Energy Holdings Limited
Ngok Yan Yu
Chairman

Hong Kong, 9 July 2010

In this announcement, all amounts in RMB are converted into HK\$ at the exchange rate of RMB1.00:HK\$1.14. The conversion rate is set out for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforementioned or any other rates.

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Ngok Yan Yu, Mr. Marcello Appella, Mr. Chan Tak Yan; three non-executive directors, namely Mr. Ho Gilbert Chi Hang, Mr. Mok Chung Kwan, Stephen and Mr. Lim Jui Kian and four independent non-executive directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen.

* for identification purpose only