

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 Cayman Islands with limited liability)

(Stock Code: 03989)

MAJOR TRANSACTION –
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
HEMBLY GARMENT MANUFACTURING LIMITED

Financial advisor to the Company



BRIDGE PARTNERS CAPITAL LIMITED

THE DISPOSAL

The Board announces that on 2 December 2011 (after trading hours), the Vendor, a wholly owned subsidiary of the Company, the Purchaser and the Guarantor entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Company for an aggregate consideration of HK\$12,000,000. The Disposal is subject to the fulfillment of the conditions as set out in the paragraph headed “Conditions Precedent” below.

GENERAL

As the Revenue Ratio exceeds 25%, the entering into of the Disposal Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders’ approval requirement.

As no Shareholder has an interest in the Disposal, no Shareholder is therefore required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal Agreement and the transaction(s) contemplated thereunder.

A circular containing, among other things, (i) further details of the Disposal; (ii) the financial information of the Group; (iii) other general information of the Company; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 23 December 2011.

The Board announces that on 2 December 2011 (after trading hours), the Vendor, the Purchaser and the Guarantor entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the entire issued share capital of the Target Company for a consideration of HK\$12,000,000. The Disposal is subject to the satisfaction of the conditions as set out in the paragraph headed “Conditions Precedent” below.

THE DISPOSAL AGREEMENT

Date: 2 December 2011

Parties:

- (1) Full Prosper Company Limited (a wholly-owned subsidiary of the Company), as the Vendor
- (2) Golden Prestige Investments Limited, as the Purchaser
- (3) Mr. Wang Cheng Jun, as the Guarantor

The Purchaser is a limited company incorporated in the British Virgin Islands and is principally engaged in investment holding. Mr. Wang Cheng Jun is the shareholder and the director of the Purchaser.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Guarantor, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties and not connected with the Company and its connected persons (as defined under the Listing Rules).

In consideration of the Vendor agreeing to enter into the Disposal Agreement, the Guarantor has agreed to guarantee the performance by the Purchaser of its obligations under the Disposal Agreement subject to and upon the terms and conditions of the Disposal Agreement.

Assets to be disposed of

The Sale Shares, being the entire issued share capital of the Target Company.

Consideration

The Consideration for the sale and purchase of the Sale Shares shall be the sum of HK\$12,000,000 and shall be satisfied in cash by the Purchaser in two (2) equal installments without interest in the following manner:

- (a) as to HK\$6,000,000 upon Completion; and
- (b) as to HK\$6,000,000 within six (6) months after the Completion Date.

Basis of determination of the Consideration

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser after taking into account (i) the total net asset value of the Target Group as at 30 September 2011; and (ii) the valuation of the Target Group in the amount of HK\$11,684,000 as stated in the valuation report issued by an independent valuer on 2 December 2011.

The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Disposal is conditional upon fulfillment of all of the following conditions:

1. the passing by the Shareholders at the EGM to be convened and held of any resolution(s) approving the Disposal Agreement and the transactions contemplated under or incidental to the Disposal Agreement;
2. the Purchaser having completed a due diligence review on the Target Group to its reasonable satisfaction;
3. all necessary consents, authorizations, licences and approvals for or in connection with the sale and purchase of the Sale Shares having been obtained, granted and not withdrawn or revoked by third parties (including but not limited to, government bodies, stock exchange and other relevant authorities having jurisdiction over the transactions contemplated under the Disposal Agreement);
4. the Vendor's warranties contained in the Disposal Agreement having remained true and accurate and not misleading at all times from the date of the Disposal Agreement up to and including the Completion Date;
5. the Purchaser's warranties contained in the Disposal Agreement having remained true and accurate and not misleading at all times from the date of the Disposal Agreement up to and including the Completion Date; and
6. the compliance with any other requirements under the Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance by the Company (and, where applicable, the Purchaser), at any time prior to the Completion in relation to the transactions contemplated under the Disposal Agreement.

If the above conditions are not fulfilled (or waived, as the case may be) on 31 January 2012 (or such later time and date as the parties to the Disposal Agreement may agree), the Disposal Agreement shall automatically terminate and cease to be of any effect (save for certain clauses of the Disposal Agreement, including the restrictions on issuing the announcements, notices and governing law and jurisdictions which shall continue to have full force and effect) and no party shall have any obligations and liabilities under the Disposal Agreement save for any antecedent breaches of the terms of the Disposal Agreement. None of the above conditions may be waived by the parties of the Disposal Agreement except that the condition 2 may be waived by the joint agreement of the Vendor and the Purchaser.

Guarantee

The Guarantor hereby unconditionally and irrevocably undertakes to the Vendor to procure the due and punctual performance by the Purchaser of all the obligations expressed to be imposed on or assumed by it under the Disposal Agreement and undertakes to indemnify and keep effectively indemnified the Vendor (if necessary by the payment of cash on first demand) against all liabilities, losses, damages, costs and expenses stipulated under the Disposal Agreement or otherwise which the Vendor may suffer or incur in connection with any default or delay on the part of the Purchaser in the performance of any such obligations.

Without prejudice to the other provisions of the Disposal Agreement, the obligations and undertakings expressed to be assumed by or imposed on the Guarantor under the Disposal Agreement shall remain in force so long as the Purchaser shall have any liability or obligation to the Vendor under the Disposal Agreement and until all such liabilities and obligations have been discharged in full.

Completion

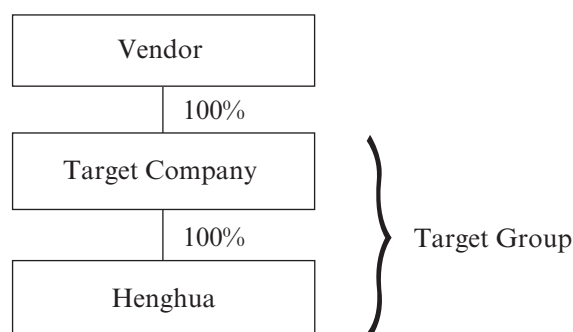
Completion of the Disposal shall take place within 2 Business Days after all the above conditions precedent are fulfilled by both the Company and the Purchaser (or such later date as agreed by the parties in writing). Upon Completion, the Target Company will cease to be a subsidiary of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong and is principally engaged in the sales of garments and investment holding. As at the date of this announcement, the Target Company is wholly-owned by the Vendor.

恆華(南京)服飾有限公司 (Henghua (Nanjing) Garment Company Limited*) (“Henghua”), is a company incorporated in the PRC and is principally engaged in the trading of garments. As at the date of this announcement, Henghua is wholly-owned by the Target Company. Most of the products of the Target Group are exported to Eurozone countries.

The structure of the Target Group is as follows:



The following is a summary of the financial information of the Target Group for the two financial years ended 31 December 2010 prepared in accordance with Hong Kong Financial Reporting Standards:

	As at 31 December 2010	As at 31 December 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net (liabilities)/assets value	(196,636)	2,457

	For the year ended 31 December 2010 HK\$'000	For the year ended 31 December 2009 HK\$'000
Loss before taxation (<i>Note</i>)	110,881	12,813
Loss for the year	147,214	234,744

Note: The figure represents the financial results of the Target Group generated from its continuing operations.

REASONS FOR THE DISPOSAL

The principal activities of the Company and its subsidiaries are the trading of apparel and accessories, provision of waste treatment technologies and services which specialized in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. According to the interim report of the Company for the six months ended 30 June 2011, the Group recorded an unaudited loss of approximately HK\$103.86 million from the trading of apparel and accessories segment, representing an increase of approximately 7.1 times as compared with the loss of HK\$12.85 million for the six months ended 30 June 2010.

In 2011, the Eurozone debt crisis has spread to some other European countries apart from Greece, such as Italy, Spain, France and Portugal. Concern about rising government deficits and debt levels together with a wave of downgrading of European government debt created alarm in financial markets. It is anticipated that the debt crisis may further reduce the purchasing power and worsen the general economy of the Eurozone countries. Given that Europe is a major market of the Group's garment trading business which attributed more than 50% of the total revenue from the trading of apparel and accessories business segment of the Group for the six months ended 30 June 2011, the Directors consider that the Group's trading of apparel and accessories business will be adversely affected. In view of the above factors and the future development of the waste-to-energy market in China, the Directors consider that it is in the interests of the Company and its Shareholders to dispose of the Target Group and to focus on the development and enhancement of its business in Asia.

The Directors (including the independent non-executive Directors) also consider that the terms and conditions of the Disposal Agreement and the Disposal contemplated thereunder are fair and reasonable and in the interests of the Company and Shareholders as a whole.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

Upon Completion, the Group is expected to recognize an one-off gain on disposal of the Target Group of approximately HK\$0.26 million. Such gain is calculated with reference to the difference between the Consideration and the unaudited net assets value of the Target Group which amounted to approximately HK\$11.74 million as at 30 September 2011.

Upon Completion, the Target Group will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

USE OF PROCEEDS

The Group intends to keep the net proceeds of approximately HK\$11,000,000 derived from the Disposal as general working capital which will be used for its existing businesses and for funding of investments as and when suitable opportunities arise.

LISTING RULES IMPLICATION OF THE DISPOSAL

As the Revenue Ratio exceeds 25%, the entering into of the Disposal Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirement.

As no Shareholder has an interest in the Disposal, no Shareholder is therefore required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Disposal Agreement and the transaction(s) contemplated thereunder.

A circular containing, among other things, (i) further details of the Disposal; (ii) the financial information of the Group; (iii) other general information of the Company; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 23 December 2011.

As Completion is subject to the fulfillment of a number of conditions precedent which are detailed in this announcement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless otherwise states:

“Board”	the board of Directors of the Company
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	New Environmental Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Disposal Agreement
“Completion Date”	the date falling two Business Days after the conditions precedent have been fulfilled by the Company and/or the Purchaser (or such later date as the parties to the Disposal Agreement may agree in writing)
“Consideration”	the sum of HK\$12,000,000
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement in respect of the Target Group entered into by the Vendor, the Purchaser and the Guarantor on 2 December 2011

“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Disposal Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Wang Cheng Jun, an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Taiwan and Macau Special Administrative Region
“Purchaser”	Golden Prestige Investments Limited, a company incorporated in British Virgin Islands
“Revenue Ratio”	has the meaning as ascribed under the Listing Rules
“Sale Shares”	the entire issued share capital of the Target Company immediately before Completion
“Share(s)”	ordinary share(s) of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hembly Garment Manufacturing Limited, a company incorporated in Hong Kong with limited liability
“Target Group”	the Target Company and its subsidiary(ies)
“Vendor”	Full Prosper Company Limited, a wholly-owned subsidiary of the Company, a company incorporated in the British Virgin Islands
“%”	per cent.

By order of the Board
New Environmental Energy Holdings Limited
Tang Zhi Bin
Executive Director

2 December 2011

As at the date of this announcement, the Board comprises five executive directors; namely, Mr. Yu Chang Jian, Mr. Liu Xiao Guang, Mr. Cao Guo Xian, Mr. Marcello Appella, and Mr. Tang Zhi Bin; 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. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen.

** For identification purposes only*