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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Environmental Energy Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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)

CONNECTED TRANSACTION
AND
NOTICE OF EGM

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

VINCO  城高

Grand Vinco Capital Limited

(A wholly-owned subsidiary of Vinco Financial Group Limited)

A letter from the Board is set out on pages 3 to 7 of this circular and a letter from the Independent Board Committee is set out on pages 8 to 9 of this circular. A letter of advice from Grand Vinco Capital Limited, the independent financial advisor to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 10 to 22 of this circular.

A notice convening the EGM to be held at Taishan Room, Level 5, the Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong at 2:15 p.m. on Wednesday, 7 May 2014 is set out on pages 28 to 30 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

15 April 2014

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DEFINITION

In this circular, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

| | |
|-------------------------------|--|
| “Announcement” | the announcement of the Company dated 26 March 2014 in relation to, among others, the Financial Assistance |
| “associate” | has the meaning ascribed thereto under the Listing Rules |
| “Beijing Capital (HK)” | Beijing Capital (Hong Kong) Limited, a company incorporated with limited liability under the laws of Hong Kong |
| “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 |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Directors” | the directors 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 Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder |
| “Financial Assistance” | the provision of the Loan from Beijing Capital (HK) to the Company pursuant to the Loan Agreement and the Share Pledge Agreement |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun and Ms. Chan Yee Wah, Eva, which has been formed for the purpose of advising the Independent Shareholders as to the fairness and reasonableness of the terms of the Loan Agreement and the Share Pledge Agreement |
| “Independent Shareholder(s)” | Shareholders, other than Beijing Capital (HK) and its associates which are required to abstain from voting on the resolution approving the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder at the EGM |

DEFINITION

| | |
|---|---|
| “Latest Practicable Date” | 11th April 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan” | the loan in the principal amount of HK\$150,000,000 pursuant to the Loan Agreement |
| “Loan Agreement” | the loan agreement dated 26 March 2014 entered into between the Company as borrower and Beijing Capital (HK) as lender in respect of the provision of the Loan |
| “PRC” | the People’s Republic of China which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | share(s) of HK\$0.1 each in the share capital of the Company |
| “Share Pledge Agreement” | the share pledge agreement dated 26 March 2014 entered into between the Company and Beijing Capital (HK) in relation to the pledge of the Company’s 55% equity interest in 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*), in favour of Beijing Capital (HK) as security for the Loan |
| “Shareholder(s)” | holder(s) of Share(s) in issue |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Vinc Capital” or “Independent Financial Adviser” | Grand Vinc Capital Limited, a wholly-owned subsidiary of Vinc Financial Group Limited (stock code: 8340), a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Transaction |
| “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 circular is RMB1: HK\$1.28 |
| “%” | per cent. |

* For identification purpose only



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)

Executive Directors:

Mr. Yu Changjian (*Chairman*)
Mr. Cao Guoxian (*Chief Executive Officer*)
Mr. Liu Xiaoguang
Mr. Xue Huixuan
Mr. Shen Jianping

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Mr. Li Baochun
Ms. Chan Yee Wah, Eva

*Head Office and Principal Place
of Business:*

Unit 1613–1618, 16/F.,
Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

15 April 2014

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Financial Assistance. It was announced that, on 26 March 2014, the Company as borrower and Beijing Capital (HK) as lender entered into the Loan Agreement, pursuant to which Beijing Capital (HK) agreed to grant the Loan to the Company. The Loan will be secured by the Company's equity interests in a non-wholly owned subsidiary. The Company and Beijing Capital (HK) executed the Share Pledge Agreement in such regard on 26 March 2014.

The purpose of this circular is to provide you with, among other things, (i) details of the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee with its recommendation to

LETTER FROM THE BOARD

the Independent Shareholders; (iii) a letter from Vinco Capital containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM.

THE LOAN AGREEMENT AND THE SHARE PLEDGE AGREEMENT

Summarised below are the principal terms of the Loan Agreement and the Share Pledge Agreement:

| | |
|-------------------------------|---|
| Date: | 26 March 2014 |
| Lender and pledgee: | Beijing Capital (HK) |
| Borrower and pledger: | The Company |
| Principal amount of the Loan: | HK\$150,000,000 |
| Interest rate: | 5.5% per annum |
| Term: | 18 months, subject to extension to be agreed by the parties |
| Condition precedent: | The Loan Agreement is conditional upon the approval of the Independent Shareholders according to the requirements of the Listing Rules |
| Repayment: | The Company shall repay the Loan and all accrued interests thereon at the expiry of the term of the Loan |
| Early repayment: | Subject to the consent of Beijing Capital (HK), the Company may repay the outstanding Loan in full or in part before maturity and interest will be charged according to the original interest rate and the actual term of the Loan. In contrary, subject to the consent of the Company, Beijing Capital (HK) may also request the Company to repay any outstanding Loan in full or in part |
| Security: | Pledge of the Company's 55% equity interest in 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*), in favour of Beijing Capital (HK) as security for the Loan. The aggregate value of the aforesaid equity interest is RMB118,800,000 (equivalent to approximately HK\$152 million) which represents the consideration for the aforesaid equity interest acquired by the Company, the acquisition was completed on 30 December 2013. The Company and Beijing Capital (HK) entered into the Share Pledge Agreement on 26 March 2014 in such regard. |

LETTER FROM THE BOARD

The Company selected the relevant subsidiary as the security after arm's length negotiations between the Company and Beijing Capital (HK) taking into account the value of the subsidiary. The aggregate value of the pledged equity interest of approximately RMB118.8 million (equivalent to approximately HK\$152 million) represents the Company's sharing portion in the aggregate value of the subsidiary, and is approximate to the principal amount of the Loan of HK\$150 million.

The interest rate of the Loan was determined after arm's length negotiations between the Company and Beijing Capital (HK) based on the actual funding costs to be incurred by Beijing Capital (HK) for obtaining funding for the Loan, the effective cost of fund of Beijing Capital (HK) (taking into account the interest rate and the expenditure for obtaining funding for the Loan) would be 6.2% per annum. Upon the expiry of the term of the Loan, the Company will use its internal resources and/or funds raised from capital market to repay the principal amount of the Loan as well as the relevant interest charged or will arrange for debt restructuring on maturity.

Certain Directors, namely Mr. Yu Changjian, Mr. Liu Xiaoguang, Mr. Cao Guoxian and Mr. Shen Jianping, are directors and/or hold various senior management positions in Beijing Capital (HK)'s group companies. They are considered to have material interest in the Financial Assistance for the purpose of Rule 14A.59(18) of the Listing Rules and thus have abstained from voting on the relevant Board resolution(s) approving the Loan Agreement and the Share Pledge Agreement.

USE OF PROCEEDS AND REASONS FOR AND BENEFITS OF THE FINANCIAL ASSISTANCE

As at the Latest Practicable Date, 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.

Beijing Capital (HK) is principally engaged in overseas capital operations, investment and financing, environmental industry value chain and international business operation.

The Financial Assistance will strengthen the Group's financial position and liquidity for the business development of the Group. Approximately HK\$94 million will be utilised by the Group for financing the investment in 揚州市餐廚廢棄物集中收運處理項目 (Kitchen Waste Collection and Treatment Project in Yangzhou City*) with the total investment of RMB96 million (equivalent to approximately HK\$122.9 million) at the first phase, the details of which were disclosed in the Company's announcement dated 17 November 2013, and the balance of approximately HK\$56 million will be utilised for partially financing the proposed acquisition of 97.85% interest in 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*), the details of which were disclosed in the Company's announcement and circular dated 19 August 2013 and 7 December 2013 respectively.

Other than the Financial Assistance, the Company has considered financing means such as equity financing and debt financing which should involve lengthy negotiation process. The Company also approached certain banks in Hong Kong for raising bank loans,

LETTER FROM THE BOARD

but no offer was received subsequently. In view of aforesaid and the imminent funding need of the Company, the Financial Assistance was considered as an efficient way for raising fund.

The Group has obtained two new fixed rate borrowings from independent third parties during the year ended 31 December 2013, one of which was an unsecured borrowing obtained from a financial institution with an interest rate of 12% per annum and the other was a bank borrowing with an interest rate of 5.6% per annum secured by a time deposit kept at bank. In view of the comparatively low interest rate offered when compare to obtaining the principal amount of the Loan from external financial institutions by the Company and the extendable term of the Loan, the Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) are of the view that the terms of the Loan Agreement and the Share Pledge Agreement are on normal commercial terms, fair and reasonable and the Financial Assistance is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Beijing Capital (HK) holds 48.18% of the issued share capital of the Company and is the controlling Shareholder. As such, Beijing Capital (HK) is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Financial Assistance constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun and Ms. Chan Yee Wah, Eva, has been formed for the purpose of advising the Independent Shareholders as to the fairness and reasonableness of the terms of the Loan Agreement and the Share Pledge Agreement. Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

THE EGM

Set out on pages 28 to 30 of this circular is a notice of the EGM to be held at Taishan Room, Level 5, the Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong at 2:15 p.m. on Wednesday, 7 May 2014, at which an ordinary resolution will be proposed to approve the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Beijing Capital (HK) holds 48.18% of the issued share capital of the Company. Beijing Capital (HK) and its associates will abstain from voting on the resolution approving the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 8 to 9 of this circular which contains its recommendation to the Independent Shareholders in relation to the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder and the letter from Vinco Capital set out on pages 10 to 22 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

As stated in the letter from the Independent Board Committee, the Independent Shareholders are recommended to vote in favour of the resolution relating to the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

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



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)

15 April 2014

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 15 April 2014 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to consider the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder and to (i) advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Loan Agreement and the Share Pledge Agreement; and (ii) recommend whether or not the Independent Shareholders should vote for the resolution to be proposed at the EGM to approve the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder. Vinco Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in such regards.

We wish to draw your attention to the letter from the Board and the letter from Vinco Capital as set out in the Circular which contain, inter alia, Vinco Capital advice and recommendation to us and the Independent Shareholders regarding the terms and conditions of the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder with the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Loan Agreement and the Share Pledge Agreement and the advice and recommendation of Vinco Capital, as well as the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the terms of the Loan Agreement and the Share Pledge Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned and the Financial Assistance is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Loan Agreement, the Share Pledge Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. Pao Ping Wing

Mr. Cheng Kai Tai,

Mr. Li Baochun

Ms. Chan Yee Wah,

Allen

Eva

Independent non-executive Director

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the Share Pledge Agreement which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited

Units 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

15 April 2014

*To the Independent Board Committee and the Independent Shareholders of
New Environmental Energy Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Loan Agreement and the Share Pledge Agreement, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular dated 15 April 2014 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement dated 26 March 2014 in relation to, among other things, the Financial Assistance. It was announced that, on 26 March 2014, the Company as borrower and Beijing Capital (HK) as lender entered into the Loan Agreement, pursuant to which Beijing Capital (HK) agreed to grant the Loan to the Company. The Loan will be secured by the Company's equity interests in a non-wholly owned subsidiary. The Company and Beijing Capital (HK) executed the Share Pledge Agreement in such regard on 26 March 2014.

As at Latest Practicable Date, Beijing Capital (HK) holds approximately 48.18% of the issued share capital of the Company and is the controlling Shareholder. As such, Beijing Capital (HK) is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Financial Assistance constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Beijing Capital (HK) and its associates are required to abstain from voting on the resolution to approve the Loan Agreement and the Share Pledge Agreement. Accordingly, certain Directors, namely Mr. Yu Changjian, Mr. Liu Xiaoguang, Mr. Cao Guoxian and

LETTER FROM VINCO CAPITAL

Mr. Shen Jianping, are directors and/or hold various senior management positions in Beijing Capital (HK)'s group companies. They are considered to have material interest in the Financial Assistance for the purpose of Rule 14A.59(18) of the Listing Rules and thus have abstained from voting on the relevant Board resolution approving the Loan Agreement and the Share Pledge Agreement.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun, and Ms. Chan Yee Wah, Eva, has been formed to (i) advise the Independent Shareholders as to the fairness and reasonableness of the Loan Agreement and the Share Pledge Agreement and whether the Financial Assistance is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote on the resolution in respect of the Loan Agreement and the Share Pledge Agreement and the transactions contemplated thereunder after taking into account the recommendations of Vinco Capital.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Loan Agreement and the Share Pledge Agreement are on normal commercial terms, whether the Financial Assistance is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Loan Agreement and the Share Pledge Agreement.

BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM VINCO CAPITAL

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Loan Agreement and the Share Pledge Agreement, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Loan Agreement and the Share Pledge Agreement and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the Share Pledge Agreement, we have taken into consideration the following principal factors and reasons:

Background information of the Loan Agreement and the Share Pledge Agreement

On 26 March 2014, the Company as borrower and Beijing Capital (HK) as lender entered into the Loan Agreement, pursuant to which Beijing Capital (HK) agreed to grant the Loan to the Company. Summarised below are the principal terms of the Loan Agreement and the Share Pledge Agreement:

| | |
|-------------------------------|--|
| Date: | 26 March 2014 |
| Lender: | Beijing Capital (HK) |
| Borrower: | The Company |
| Principal amount of the Loan: | HK\$150,000,000 |
| Interest rate: | 5.5% per annum |
| Term: | 18 months, subject to extension to be agreed by the parties |
| Condition precedent: | The Loan Agreement is conditional upon the approval of the Independent Shareholders according to the requirements of the Listing Rules |
| Repayment: | The Company shall repay the Loan and all accrued interests thereon at the expiry of the term of the Loan |

LETTER FROM VINCO CAPITAL

- Early repayment: Subject to the consent of Beijing Capital (HK), the Company may repay the outstanding Loan in full or in part before maturity and interest will be charged according to the original interest rate and the actual term of the Loan. In contrary, subject to the consent of the Company, Beijing Capital (HK) may also request the Company to repay any outstanding Loan in full or in part.
- Security: Pledge of the Company's 55% equity interest in 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.*), in favour of Beijing Capital (HK) as security for the Loan. The aggregate value of the aforesaid equity interest is RMB118,800,000.00 (equivalent to approximately HK\$152 million) which represents the consideration for the aforesaid equity interest acquired by the Company, the acquisition was completed on 30 December 2013. The Company and Beijing Capital (HK) entered into the Share Pledge Agreement on 26 March 2014 in such regard.

Reasons for and Benefits of the Loan Agreement and the Share Pledge Agreement

Background information of the Group

As at Latest Practicable Date, 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.

LETTER FROM VINCO CAPITAL

Financial performance of the Group

The table below sets out a summary of the audited consolidated financial results for the three years ended 31 December 2013, as extracted from the respective annual reports of the Group:

| | Year ended 31 December | | |
|---|-------------------------------|-----------------|-------------------------|
| | 2013 | 2012 | 2011 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (audited) | (audited) | (audited) (restated) |
| Consolidated Statement of Comprehensive Income | | | |
| Revenue | 246,153 | 17,609 | 20,147 |
| (Loss)/profit attributable to owners of the Company | (124,370) | (147,054) | (325,504) |
| Consolidated Statement of Financial Position | | | |
| Total assets | 2,112,924 | 1,057,327 | 681,121 |
| Total liabilities | 1,433,420 | 1,006,110 | 618,391 |
| Net asset value attributable to owners of the Company | 481,748 | 60,748 | 81,438 |

As stated in the annual report of the Group for the year ended 31 December 2011 (the “2011 Annual Report”), the Group’s revenue reached approximately HK\$20.1 million, representing decrease of approximately 61.0%, as compared to 2010. The net loss attributable to the owners of the Company amounted to approximately HK\$325.5 million in 2011. The Group had total assets and total liabilities amounting to approximately HK\$681.1 million and approximately HK\$618.4 million respectively, with HK\$81.4 million of net assets attributable to equity shareholders of the Company. The cash and bank balances was HK\$54.9 million as at 31 December 2011 as compared to HK\$37.8 million as at 31 December 2010. The Group had total borrowings of HK\$52.3 million as at 31 December 2011, all of which are short-term borrowings, as compared to HK\$67.7 million as at 31 December 2010.

As mentioned in the annual report of the Group for the year ended 31 December 2012 (the “2012 Annual Report”), the Group’s revenue reached approximately HK\$17.6 million, representing decrease of approximately 12.6%, as compared to 2011. The net loss attributable to the owners of the Company amounted to approximately HK\$147.1 million for the year. The Group had total assets and total liabilities amounting to approximately HK\$1,057.3 million and approximately HK\$1,006.1 million respectively, with HK\$60.7 million of net assets attributable to equity shareholders of the Company. The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group’s total shareholders’ equity, was 0.05 times as at 31 December 2012. The Group had outstanding borrowings of HK\$266.5 million, representing an

LETTER FROM VINCO CAPITAL

increase of HK\$214.2 million as compared to HK\$52.3 million at the end of 2011, comprising secured loans of HK\$193.1 million and unsecured loans of HK\$73.4 million. The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders, and had cash and bank balances of HK\$263.2 million, representing an increase of HK\$208.3 million as compared to HK\$54.9 million at the end of 2011. The increase was mainly due to the placement of shares of the Company, the new borrowings raised and the disposal of the Group's equity interest in Hembly Garment in 2011.

As disclosed in the annual report for the year ended 31 December 2013 (the "2013 Annual Report"), the Group's revenue reached approximately HK\$246.2 million, representing an increase of approximately 1,297.9%, as compared to 2012. The net loss attributable to the owners of the Company amounted to approximately HK\$124.4 million in 2013, among which the loss on fair value changes of embedded derivatives amounted to approximately HK\$117.4 million. The Group had total assets and total liabilities amounting to approximately HK\$2,112.9 million and approximately HK\$1,433.4 million respectively, with approximately HK\$481.7 million of net assets attributable to equity shareholders of the Company. The net gearing ratio increased from approximately 0.05 times as at 31 December 2012 to approximately 0.74 times as at 31 December 2013. The Group had outstanding borrowings of approximately HK\$991.1 million, representing an increase of approximately HK\$724.6 million as compared to approximately HK\$266.5 million at the end of 2012, comprising secured loans of approximately HK\$936.3 million and unsecured loans of approximately HK\$54.8 million. The Group had cash and bank balances of approximately HK\$633.6 million, representing an increase of approximately HK\$370.4 million as compared to approximately HK\$263.2 million at the end of 2012. The increase was mainly due to the proceeds received from rights issue and the new borrowings raised during 2013.

Background information of Beijing Capital (HK)

Beijing Capital (HK) is principally engaged in overseas capital operations, investment and financing, environmental industry value chain and international business operation.

Underlying grounds of entering into the Loan Agreement and the Share Pledge Agreement

As stated in the Letter from the Board, the Directors intend to utilise approximately HK\$94 million for financing the investment in 揚州市餐廚廢棄物集中收運處理項目 (Kitchen Waste Collection and Treatment Project in Yangzhou City*) with the total investment of RMB96 million (equivalent to approximately HK\$122.9 million) at the first phase, the details of which were disclosed in the Company's announcement dated 17 November 2013, and the balance of approximately HK\$56 million for partially financing the proposed acquisition of 97.85% interest in 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*), the details of which were disclosed in the Company's announcement and circular dated 19 August 2013 and 7 December 2013 respectively, as well as to strengthen the Group's financial position and liquidity for the business development of the Group.

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According to the 2013 Annual Report, the Group has cash and bank balances of approximately HK\$575.9 million. However, as advised by the Directors, the cash and bank balances of the Group have been substantially utilised or occupied by different projects. Throughout our discussion with the Directors, we noted that the Directors have considered other financing methods in order to meet its financing requirements and will use the method which serves the best interest of the Group. Upon our enquiry with the Directors regarding the financing alternatives available to the Group, we understand that apart from the issue of the Loan Agreement, the Directors have also considered other fund raising alternatives for the Group, including both debt and equity financing. In view of aforesaid and the imminent funding need of the Company, the Financial Assistance was considered as an efficient way for raising fund.

In relation to debt financing, the Directors advised us that due to the sovereign debt problems in Europe and fiscal cliff conundrum in the US have posed continual risks and uncertainties to the recovery and stability of major economies and financial markets around the world, hence resulting in difficulties to obtain financing from financial institutions. Banks globally, as well as in the PRC, have generally tightened their credit policies resulting in less loans being available. Banks also typically apply more stringent terms such as requiring more pledges and guarantees or charging higher interest rates. Given the weak financial position of the Company, the Company has to provide a corporate guarantee by its holding company in order to secure a bank loan and the Company was unable to obtain such approval from the relevant authority in short period of time. After reviewing the respective annual reports, we noted that the Group recorded consecutive net losses for the three years ended 31 December 2013. Given the Group's recent loss-making financial performance, we consider that it would be difficult for the Group to obtain any bank loans from commercial banks or financial institutions which the terms thereunder would be more favourable than the Loan Agreement and the Share Pledge Agreement. Moreover, throughout our discussion with the Directors, we understand that the Group's management had approached two local banks in Hong Kong for debt financing plan, but no offer was received subsequently. After viewing the financial statements of the Group, without the corporate guarantee from Beijing Capital Group Co., Ltd, which is controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (the "SASA Commission"), both banks could not provide funding to the Group. In view of the complicated and lengthening procedures to get the approval from SASA Commission, the Group's management abandoned this plan.

With regards to equity financing, the Directors are of the view that any placing exercise, which deprives the rights of the Shareholders to participate in, would cause dilution effect to the shareholding interests of the existing Shareholders in the Company, and hence would not be in the interest of the Shareholders. Furthermore, the Directors advised us that although both open offer and rights issue would allow the Shareholders to maintain their pro-rata shareholdings in the company, such fund raising activities (i) require the Company to procure commercial underwriting; and (ii) in general, are relatively time-consuming. Given the above, we concur with the Directors that entering into the Loan Agreement is the most appropriate fund raising method currently available to the Group.

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Based on the foregoing, given that (i) the Group has recorded consecutive net loss for the three years ended 31 December 2013, hence (ii) it would be difficult for the Group to obtain any bank loans from commercial banks or financial institutions which the terms thereunder would be more favourable than the Loan Agreement and the Share Pledge Agreement; and (iii) raise additional funds through issue of new equity, we are of the view that the terms of the Loan Agreement and the Share Pledge Agreement are fair and reasonable and the Financial Assistance is in the interests of the Company and Shareholders as a whole.

Principle terms under the Loan Agreement and the Share Pledge Agreement

In assessing the fairness and reasonableness of the Loan Agreement and the Share Pledge Agreement, we have considered applying a comparable analysis through comparing a number of parameters such as interest rate, length of loan agreements, presence of any collateral or asset pledge to secure loan, to companies listed on the Stock Exchange with similar line of business of the Group, namely engaging 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. Due to the unique business nature of the Group, we have not been able to identify suitable comparable companies with similar business nature with the Group. In addition, we consider that it would be difficult to conduct a comparable analysis on loan agreements as each company has its specific risk profile and the borrower normally depends upon each company's specific credit risk to determine the terms of loan. Thus, we consider the aforesaid comparable analysis is not applicable, and have examined the principal terms of the Loan Agreement and the Share Pledge Agreement, the details of which are set out as below:

Interest rate

As mentioned in the Letter from the Board in the Circular, the interest rate of the Loan was determined after arm's length negotiations between the Company and Beijing Capital (HK) based on the actual funding costs to be incurred by Beijing Capital (HK) for obtaining funding for the Loan. Upon the expiry of the term of the Loan, the Company will use its internal resources and/or funds raised from capital market to repay the principal amount of the Loan as well as the relevant interest charged or will arrange for debt restructuring on maturity.

For our due diligence exercise, we have further enquired into the Directors regarding the basis for determining the interest rate for the Loan under the Loan Agreement. As advised by the Directors, the funding for the Loan was raised by Beijing Capital (HK) through bond issuance of US\$100 million (equivalent to approximately HK\$776 million) on 2 July 2013, at an interest rate of 4.0% per annum, in which will be fully redeemed at the principal amount on 9 July 2016. The total expenditures incurred, including placing agent fees, professional fees and other disbursements, amounted to approximately HK\$26.1 million. Accordingly, for the loan portion of the bond issuance, Beijing Capital (HK) would have to take into consideration expenditures of approximately HK\$5.0 million in calculating the effective cost of fund to be incurred by Beijing Capital (HK) for

LETTER FROM VINCO CAPITAL

obtaining funding for the Loan. Taking into account the interest rate and the expenditures incurred by Beijing Capital (HK), the effective cost of fund would be 6.2% per annum. Based on the foregoing, the interest rate of 5.5% per annum charged under Loan Agreement is lower than the cost of fund of Beijing Capital (HK).

As disclosed in the 2013 Annual Report, save for the Loan, the Group has four outstanding loans, in aggregate amounted to approximately HK\$160.0 million and HK\$124.4 million from Beijing Capital (HK) and Beijing Capital Co. Ltd., the sole shareholder of Beijing Capital (HK) (“Beijing Capital”), respectively. We have reviewed and tabulated below the interest rate charged to the Group under the Loan Agreement to the four existing loan agreements from Beijing Capital (HK) and Beijing Capital:

| | Interest rate charged (%) | Loan period (months) | Security pledged |
|--|--|---------------------------------|-----------------------------|
| 2013 Loan Agreement ¹ | 5.13 | 24 | Yes |
| 2012 Supplementary Loan Agreement I ² | 7.22 | 24 | Yes |
| 2012 Supplementary Loan Agreement II ² | 6.9 | 24 | Yes |
| 2012 Supplementary Loan Agreement III ² | 6.9 | 24 | Yes |
| Maximum | 7.22 | 24 | N/A |
| Minimum | 5.13 | 24 | N/A |
| Mean | 6.54 | 24 | N/A |
| Loan Agreement | 5.5 | 18 | Share charge |

Source: 2013 Annual Report of the Group

Notes:

1. During the year ended 31 December 2013, the Group entered into a fixed-rate loan agreement with the substantial shareholder, Beijing Capital (HK), of the Group, of HK\$160,000,000, that will be due in October 2015. The balance is secured by the equity interest of subsidiaries and an associate held by the Group and carries interest at fixed rate of 5.13% per annum.
2. During the year ended 31 December 2012, the Group entered into three fixed-rate loan agreements (the “Original Loan Agreements”) with Beijing Capital (HK) of RMB40,000,000 (approximately HK\$51,282,000), RMB21,000,000 (approximately HK\$26,923,000) and RMB36,000,000 (approximately HK\$46,154,000) that will be due in December 2012, August 2013 and August 2013 respectively. The balance is unsecured and carries interest at fixed rate of 7.22%, 6.9% and 6.9% per annum respectively. In November 2012, the Group entered into three supplementary loan agreements which were approved by the independent shareholders on 31 December 2012 (i) to extend the respective term of the Original Loan Agreements for another 24 months; and (ii) the loans under the Original Loan Agreements are secured by the entire equity interest of a subsidiary held by the Group.

As shown in the above table, (i) the interest rate under the Loan Agreement of 5.5% per annum is lower than the average, and falls within the range of the interest rates charged in the existing loan agreements; (ii) the loan period under the Loan Agreement of 18 months is shorter than the loan period of 24 months as offered in the existing loan agreements; and

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(iii) the pledged security is required under the Loan Agreement and the existing loan agreements. In addition, we have reviewed the Loan Agreement and noted that the other principal terms of the Loan Agreement are essentially identical to those of these existing loan agreements. Based on the foregoing, we consider that the principal terms under the Loan Agreement, including interest rate, loan period and security pledged, are determined with reference to the best available rate in the market and principally in line with the other loans previously granted by Beijing Capital (HK) and Beijing Capital.

With reference to the Letter from the Board in the Circular, the Group has obtained two new fixed rate borrowings from independent third parties during the year ended 31 December 2013, one of which was an unsecured borrowing obtained from a financial institution with interest rate of 12% per annum and the other was a bank borrowing with an interest rate of 5.6% per annum secured by a time deposit kept at bank. As mentioned in the interim report for the six months ended 30 June 2013 (the “Interim Report 2013”), the Group acquired two fixed-rate loan agreements with independent third parties comprising (i) HK\$30,000,000 with Quam Finance Limited (a non-related party of the Group), an unsecured balance and interest at fixed rate of 1% per month; and (ii) RMB21,100,000 (approximately HK\$26,675,000) with China Guangfa Bank (a non-related party of the Group), a balance secured by corporate guarantee of intermediate holding company of the Company and interest at fixed rate of 5.6% per annum, which was due in September 2013. Accordingly, in view of the comparatively low interest rate offered when compared to obtaining the principal amount of the Loan from external financial institutions by the Company and the extendable term of the Loan, we concur with the Directors’ view and consider that the interest rate of 5.5% per annum under the Loan Agreement is no less favourable to those with independent third parties.

In addition, as advised by the Directors and based on our understanding, it is a common practice for commercial banks in Hong Kong to charge interest at a rate with reference to the Hong Kong dollar best lending rate quoted by the Hongkong and Shanghai Banking Corporation Limited (“HSBC”) from time to time. As at the Latest Practicable Date, the Hong Kong dollar best lending rate of HSBC is 5.00%. We noted that although the best lending rate is lower than the interest rate under the Loan Agreement, the commercial banks in Hong Kong generally charge a certain risk premium on top of the best lending rate to companies which have unfavourable financial position. Given its loss-making financial position, it is likely that in the eyes of the commercial banks, the Group faces a higher credit risk and, hence, would have to pay an interest rate higher than the best lending rate for any loans to be obtained from the commercial banks.

Hence, taking into consideration that the interest rate of 5.5% per annum under the Loan Agreement is (i) lower than the interest rates under the existing loan agreements of the Group; (ii) no less favourable as compared to those with independent third parties; and (iii) lower than the expected risk premium and the best lending rate published by HSBC from time to time, we are of the view that the interest rate under the Loan Agreement is in the ordinary and usual course of business, fair and reasonable, and is in the interest of the Company and Independent Shareholders as a whole.

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Share Pledge

Pursuant to the Loan Agreement, the Loan shall be secured by the pledge of the Company's 55% equity interest in 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.*), in favour of Beijing Capital (HK) as security for the Loan. As disclosed in the Letter from the Board, the Company selected the relevant subsidiary as the security after arm's length negotiations between the Company and Beijing Capital (HK) taking into account the market value of the subsidiary. The aggregate value of the pledged equity interest of approximately RMB118,800,000 (equivalent to approximately HK\$152 million) represents the Company's sharing portion in the aggregate market value of the subsidiary, and is approximate to the principal amount of the Loan of HK\$150 million, with reference to the valuation report in relation to the acquisition of 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.*) on 30 December 2013. In order to assess the fairness and reasonableness of using the share pledge under the Share Pledge Agreement to secure the Loan, we have also obtained and reviewed the management accounts for 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.*) as at 31 March 2014 and found the net assets value of the non-wholly-owned subsidiary was approximately RMB108,000,000 (equivalent to approximately HK\$138 million).

Moreover, we have reviewed the financial performance and position of the Company. As advised by the Directors, as at 31 December 2013, the Group had nine waste treatment projects that commanded a total investment of approximately RMB2,803.8 million, however only five of them are in normal commercial operation and remaining four projects undertaken by the Group were still in investing or constructing stage. Given approximately half of the Company's waste treatment projects are still in the premature business stage and have not yet generate cash income, the prospect and future development of the Company and its subsidiaries will depend on the support and investment made by the controlling Shareholder.

Further, with reference to the respective annual reports of the Company for the three financial years ended 31 December 2013, we have noted that the Company has recorded loss-making consecutive results and the financial position of the Group did not substantially improve. In the lender's perspective, the loss-making results of the Company as well as the premature business stage in approximately half of the Company's waste treatment projects have increased the underlying credit risk of the Loan. In addition, the Loan amount of HK\$150 million represents approximately 98.7% of the value of the Pledge of RMB118.8 million (or HK\$152 million). We noted that the value of the share pledged is slightly higher than the aggregate value of the Loan. As advised by the Directors, the credit risk bared by the lender and the interest rate chargeable will generally decrease as the value of the collateral increase. Moreover, certain factors including quality and marketability of the pledged assets play an important determinant in justifying the reasonable value of the pledged assets. According to the management accounts of 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.*) as at 31 March 2014, the net asset value is approximately HK\$138 million. The vast majority of the assets as at 31 March 2014

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are prepayments and non-current assets, both of which may not be disposed easily. Pledged assets may also be subject to a substantial marketability discount to compensate for their low liquidity. Notwithstanding all the aforementioned factors which increase the credit risk of the Loan, the interest rates remain unchanged as in the Loan Agreement, and may even represent a more favourable rate quoted by the Company from banks. As advised by the Directors, it would be very difficult for the Group to utilise the Pledged Assets as security and obtain a loan amount of HK\$150 million from independent commercial banks or financial institutions. In addition, we have reviewed the previous Supplementary Loan Agreements and we noted that the other principal terms of these Supplementary Loan Agreements are essentially identical to those of the Loan Agreement and the Share Pledge Agreement. In light of the above, we hence concur with the view of the Directors that the inclusion of pledged collateral in the Loan Agreement is fair and reasonable.

Regarding the other terms and conditions under the Loan Agreement and the Share Pledge Agreement, we are not aware of any unusual arrangements or practices that are generally accepted in the market.

RECOMMENDATIONS

Having taken into consideration the above principal factors and reasons, in particular;

- (i) given the recent loss-making financial performance of the Group for the three years ended 31 December 2013, it would be difficult for the Group to (a) obtain any loans from banks or other financial institutions which the terms thereunder would be more favourable than the Loan Agreement and the Share Pledge Agreement, or (b) raise additional funds in the equity market;
- (ii) the Loan Agreement and the Share Pledge Agreement was determined on an arm's length negotiation basis and are entered for obtaining Loans to finance investment in 揚州市餐廚廢棄物集中收運處理項目 (Kitchen Waste Collection and Treatment Project in Yangzhou City*) and proposed acquisition in 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*);
- (iii) the cash and bank balances of the Group as at 31 December 2013 have been substantially utilised or occupied by different projects;
- (iv) the interest rate of the Loan is lower than (a) the cost of fund of Beijing Capital (HK); (b) the interest rates charged by Beijing Capital (HK) under the four existing loan agreements of the Group; (c) the interest rates charged by independent third parties; and (d) the expected risk premium and best lending rate published by HSBC from time to time;
- (v) given the current financial position of the Group and the premature business stage in approximately half of its waste treatment projects as at 31 December 2014, the prospect and future development of the Group will depend on the support and investment made by the controlling Shareholder;

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- (vi) vast majority of the assets for 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.*) (as the share pledged under the Share Pledge Agreement) are prepayments and non-current assets which may not be disposed easily; and
- (vii) the value of the pledged assets may also subject to a substantial marketability discount to compensate for their low liquidity,

we are of the opinion that the Loan Agreement and the Share Pledge Agreement are in the ordinary and usual courses of business, fair and reasonable and the terms are on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Loan Agreement and the Share Pledge Agreement.

Yours faithfully.
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of the Directors and chief executives

As at the Latest Practicable Date, none of the Directors or any chief executive of the Company or their respective associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any interest in the Shares, options, warrants, derivatives and securities carrying conversion or subscription rights into Shares.

Interests of substantial shareholders and other persons

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests in the Company

| Name of Shareholders | Capacity and nature of interests | Number of Shares/ underlying Shares held | Approximate percentage of issued share capital of the Company |
|--|---|--|---|
| Beijing Capital (Hong Kong) Limited | Beneficial owner (Note 1) | 2,587,883,804(L) | 55.59% |
| Beijing Capital Co., Ltd. | Interest of controlled corporations (Note 1) | 2,611,093,804(L) | 56.08% |
| Beijing Capital Group Co., Ltd. | Interest of a controlled corporation (Note 1) | 2,611,093,804(L) | 56.08% |
| Simple Success Investments Limited | Beneficial owner (Note 2) | 270,760,000(L) | 5.82% |
| New World Strategic Investment Limited | Interest of a controlled corporation (Note 2) | 270,760,000(L) | 5.82% |
| New World Development Company Limited | Interest of a controlled corporation (Note 2) | 270,760,000(L) | 5.82% |
| Chow Tai Fook Enterprises Limited | Interest of a controlled corporation (Note 2) | 270,760,000(L) | 5.82% |
| Chow Tai Fook (Holding) Limited | Interest of a controlled corporation (Note 2) | 270,760,000(L) | 5.82% |
| Chow Tai Fook Capital Limited | Interest of a controlled corporation (Note 2) | 270,760,000(L) | 5.82% |
| Cheng Yu Tung Family (Holdings) Limited | Interest of a controlled corporation (Note 2) | 270,760,000(L) | 5.82% |
| Cheng Yu Tung Family (Holdings II) Limited | Interest of a controlled corporation (Note 2) | 270,760,000(L) | 5.82% |

(L) denotes a long position

Notes:

- These Shares represent 2,243,056,218 Shares and 344,827,586 underlying Shares which may be issuable upon conversion of all the outstanding amount of the convertible bonds held by Beijing Capital (Hong Kong) Limited, which was a wholly-owned subsidiary of Beijing Capital Co., Ltd, and 23,210,000 Shares held by BC Water Investments Co., Ltd., an indirect wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital Co., Ltd. is in turn controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Co., Ltd. were deemed to have interest in the said Shares and underlying Shares held by Beijing Capital (Hong Kong) Limited and BC Water Investments Co., Ltd. for the purposes of the SFO.

2. These Shares represent 270,760,000 Shares held by Simple Success Investments Limited, which was a wholly-owned subsidiary of New World Strategic Investment Limited, which was in turn wholly-owned by New World Development Company Limited. Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited hold 49% and 46.7% interests in Chow Tai Fook Capital Limited, respectively. Chow Tai Fook Capital Limited in turn owns 74.1% interest in Chow Tai Fook (Holding) Limited which holds the entire interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited. As such, Cheng Yu Tung Family (Holdings II) Limited, Cheng Yu Tung Family (Holdings) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, New World Strategic Investment Limited were deemed to have interest in the said Shares held by Simple Success Investments Limited for the purposes of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, no other person had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Directorship in and employment with substantial Shareholders

Set out below are particulars of the Directors' directorship in or employment with companies which have interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Director | Position | Name of substantial Shareholder |
|-------------------------|----------------------|--|
| Yu Changjian | Director | Beijing Capital (Hong Kong) Limited |
| Cao Guoxian | Director | Beijing Capital Co., Ltd. |
| | Director | Beijing Capital (Hong Kong) Limited |
| Liu Xiaoguang | Vice General Manager | Beijing Capital Co., Ltd. |
| | Director | Beijing Capital (Hong Kong) Limited |
| Shen Jianping | Director | Beijing Capital Co., Ltd. |
| | Director | Beijing Capital Group Co., Ltd. |
| | Director | Beijing Capital Group Co., Ltd. |

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with any member of the Group which is not expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim known to the Directors to be pending or threatened against any members of the Group which in the opinion of the Directors would be or is likely to be of material importance.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or is likely to compete with the business of the Group and would require disclosure under Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given, or agreed to inclusion of, its opinion or advice in this circular:

| Name | Qualification |
|---------------|--|
| Vinco Capital | A licensed corporation for carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

Vinco Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear. The letter of Vinco Capital is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Vinco Capital did not have any interest in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and Vinco Capital did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2013, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated accounts of the Group were made up.

9. GENERAL

- (a) The company secretary of the Company is Ms. Wong Bing Ni, who holds a Master's degree in Professional Accounting and is also a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 1613–1618, 16th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the Loan Agreement; and
- (b) the Share Pledge Agreement.



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“EGM”) of New Environmental Energy Holdings Limited (the “**Company**”) will be held at Taishan Room, Level 5, the Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 7 May 2014, at 2:15 p.m. for the purposes of considering and, if thought fit, passing with or without modifications the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the loan agreement (the “**Loan Agreement**”) dated 26 March 2014 entered into between the Company and Beijing Capital (Hong Kong) Ltd. (“**Beijing Capital (HK)**”) in relation to the grant of loan from Beijing Capital (HK) of principal amount of HK\$150,000,000 to the Company (a copy of which is marked “A” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the share pledge agreement (the “**Share Pledge Agreement**”) dated 26 March 2014 entered into between the Company and Beijing Capital (HK) in relation to the pledge of the Company’s 55% equity interest in 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*), in favour of Beijing Capital (HK) as security for the loan pursuant to the Loan Agreement (a copy of which is marked “B” and produced to the EGM and signed by the chairman of the EGM for identification purpose), be and are hereby ratified, confirmed and approved; and

NOTICE OF EGM

- (b) any one or more of the directors of the Company (the “**Directors**”) be and is/are hereby authorised to do all such acts and things and to execute all such documents for the purpose of, or in connection with, the implementation of and giving effect to the Loan Agreement, the Share Pledge Agreement and the transactions ancillary thereto and of administrative nature which he/she/they consider necessary, desirable or expedient.”

By order of the board of
New Environmental Energy Holdings Limited
Yu Changjian
Chairman

Hong Kong, 15 April 2014

Principal Office:

Unit 1613–1618, 16/F.,
Bank of America Tower,
12 Harcourt Road,
Central, Hong Kong

Notes:

1. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 15 April 2014.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, where that member holds two or more shares, more proxies to attend and vote on behalf of him/her. A proxy need not be a shareholder of the Company.
3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.
4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the EGM, in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.

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5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
6. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the voting on the ordinary resolution at the EGM will be conducted by way of poll.
7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

* *For identification purpose only*