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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, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Environmental Energy Holdings Limited (the "Company"), 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 or other agent through whom the sale or 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: 03989)

(I) PLACING OF NEW SHARES

AND

**SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE**

AND

(II) NOTICE OF EXTRAORDINARY GENERAL MEETING

Placing Agent



Fortune (HK) Securities Limited

A notice convening the EGM (as defined in this circular) to be held at 11:00 a.m. on Tuesday, 17 May 2011, at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages 18 to 19 of this circular. A form of proxy for the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.

28 April 2011

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DEFINITIONS

Unless the context otherwise requires, terms or expressions used in this circular shall have the meanings ascribed to them below:

“associates”	having the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“Company”	New Environmental Energy Holdings Limited, a company incorporated in Cayman Islands with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Connected Person(s)”	having the meaning ascribed thereto in the Listing Rules
“Convertible Bonds”	the zero coupon guaranteed convertible bonds due 2015, which are convertible into Shares or shares of Smartview Investment Holdings Ltd. (a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company) as described in the Company’s announcements dated 29 January 2010 and 13 April 2010, respectively
“Convertible Notes”	the convertible notes of the Company issued to Simple Success Investments Limited and Bright Good Limited on 11 December 2009 in satisfaction of part of the consideration for the Group’s acquisition of the entire issued share capital of Smartview Investment Holdings Ltd., as described in the Company’s announcement dated 23 September 2009 and circular dated 23 November 2009
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m., on Tuesday, 17 May 2011, at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong, to consider and, if thought fit, to approve, <i>inter alia</i> , the Placing, the Subscription and the Specific Mandate to issue and allot new Shares

DEFINITIONS

“Force Majeure Event”	acts of god, strike, act of war, act of terrorism, epidemic, international political crisis, civil disorder, any significant adverse change in local, national or international monetary, economic or financial conditions (including general suspension or limitation of trading on, or by, the Stock Exchange (save for any suspension not exceeding 10 consecutive Business Days) and change in currency exchange rates or controls and disruption of banking activities) or other adverse events not within the control of the parties of the Subscription Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Placing Agreement”	the placing agreement dated 1 December 2010 entered into between the Company and the Placing Agent in relation to the placing of up to a maximum of 202,022,000 Placing Shares by the Placing Agent on a best effort basis at HK\$0.50 per Placing Share
“Initial Placing Price”	HK\$0.50 per Placing Share pursuant to the Initial Placing Agreement
“Latest Practicable Date”	21 April 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	having the meaning ascribed thereto in the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any person or entity whom the Placing Agent and/or any of its agent(s) have procured to subscribe for the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to a maximum of 202,022,000 Placing Shares by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Fortune (HK) Securities Limited, a licensed corporation to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Placing Agreement”	the placing agreement dated 1 December 2010 (as amended by the Supplemental Placing Agreement and the Second Supplemental Placing Agreement) entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion Date”	completion of the Placing shall take place on the seventh Business Day after (i) the satisfaction of the all the conditions precedent of the Placing Agreement or (ii) the conclusion of Placee(s) on the date of which the Placing Agent concluded the placee(s) list (whichever is later), or such later date as may be agreed by and between the Company and Placing Agent
“Placing Period”	the period commencing upon the execution of the Placing Agreement and terminating at 5:00p.m. on 30 June 2011, unless terminated earlier in writing pursuant to the Placing Agreement
“Placing Shares”	a maximum of 202,022,000 Shares to be placed under the Placing Agreement
“PRC”	the People’s Republic of China
“Quam Securities”	Quam Securities Company Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Revised Placing Price”	HK\$0.40 per Placing Share pursuant to the Supplemental Placing Agreement
“Sale Convertible Notes”	the portion of the Convertible Notes in the total outstanding principal amount of HK\$417,600,000 representing the amount of HK\$177,000,000 and convertible into approximately 150,000,000 Shares upon the exercise of the conversion rights attaching thereto
“Second Supplemental Placing Agreement”	the second supplemental placing agreement dated 29 March 2011 entered into between the Company and the Placing Agent in relation to the Placing
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	holders of Shares
“Share Options”	the option(s) to subscribe for Share(s) granted under any share option scheme of the Company

DEFINITIONS

“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to allot and issue 202,022,000 new Shares at HK\$0.40 per Share pursuant to the Placing Agreement.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Beijing Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Subscription”	the subscription of 202,022,000 Subscription Shares by the Subscriber at the Subscription Price pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 29 March 2011 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Completion Date”	the third Business Day after the date on which all the conditions provided in the Subscription Agreement are satisfied (or waived), which is currently expected to be on or before 31 May 2011 or such other date as may be agreed by the parties of the Subscription Agreement
“Subscription Price”	HK\$0.40 per Subscription Share
“Subscription Shares”	202,022,000 Shares to be subscribed for by the Subscriber pursuant to the Subscription Agreement
“Supplemental Placing Agreement”	the supplemental placing agreement dated 24 February 2011 entered into between the Company and the Placing Agent in relation to the Placing
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



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: 03989)

Executive Directors:

Mr. Ngok Yan Yu (*Chairman*)
Mr. Marcello Appella
Mr. Chan Tak Yan
Mr. Ng Cheuk Fan, Keith
Ms. Yu Sau Lai

Registered Office:

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

Non-executive Directors:

Mr. Lim Jui Kian
Mr. Cai Qiao Herman
(alternate Director to Mr. Lim Jiu Kian)

Head Office and Principal

Place of Business:
Room 302B, 3rd Floor
New World Tower 1
16-18 Queen's Road Central
Hong Kong

Independent Non-Executive Directors:

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen

28 April 2011

To the Shareholders

Dear Sir or Madam,

PLACING OF NEW SHARES

AND

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

BACKGROUND

On 1 December 2010 (after trading hours), the Initial Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, up to a maximum of 202,022,000 Placing Shares at HK\$0.50 per Placing Share.

In view of the fact that the response from investors did not meet the Company's high expectation as informed by the Placing Agent and with reference to the prevailing market price of the Shares in the corresponding period, on 24 February 2011 (after trading hours), the Company and the Placing Agent

LETTER FROM THE BOARD

entered into the Supplemental Placing Agreement pursuant to which the Placing Agent agreed to place, up to a maximum of 202,022,000 Placing Shares, on a best effort basis, at the Revised Placing Price of HK\$0.40 per Placing Share. The Company and the Placing Agent also agreed to extend the Placing Period from 28 February 2011 to 30 June 2011 to allow more time to complete the Placing at the Revised Placing Price.

On 29 March 2011 (after trading hours), the Placing Agent has, with the introduction and procurement by Quam Securities, secured the Subscriber to subscribe for the Placing Shares in their entirety. The Second Supplemental Placing Agreement was entered into by the Company and the Placing Agent, to confirm the same as well as to confirm that the Placing Agent has satisfied all its duties and obligations under the Placing Agreement. The Company subsequently entered into the Subscription Agreement with the Subscriber directly on 29 March 2011 pursuant to which the Subscriber has conditionally agreed to subscribe for the Subscription Shares at the price of HK\$0.40 per Subscription Share.

The purpose of this circular is to provide you with further details of (i) the Placing and the Subscription as well as the transactions contemplated thereunder and; (ii) the notice convening the EGM at which ordinary resolutions will be proposed to approve the Placing, the Subscription and the Specific Mandate.

THE PLACING

On 1 December 2010 (after trading hours), the Initial Placing Agreement was entered into between the Company and the Placing Agent, pursuant to which the Company conditionally agreed to place, through the Placing Agent, on a best effort basis, up to a maximum of 202,022,000 Placing Shares at HK\$0.50 per Placing Share.

On 24 February 2011 (after trading hours), the Company and the Placing Agent entered into the Supplemental Placing Agreement pursuant to which the Placing Agent agreed to place, up to a maximum of 202,022,000 Placing Shares, on a best effort basis, at the Revised Placing Price of HK\$0.40 per Placing Share.

On 29 March 2011 (after trading hours), the Placing Agent has, with the introduction and procurement by Quam Securities, secured the Subscriber to subscribe for the Placing Shares in their entirety, and that the Second Supplemental Placing Agreement was entered into by the Company and the Placing Agent, to confirm the same as well as to confirm that the Placing Agent has satisfied all its duties and obligations under the Placing Agreement.

LETTER FROM THE BOARD

Issuer

The Company

Placing Agent and Placee(s)

Fortune (HK) Securities Limited, the Placing Agent, has conditionally agreed to place, on a best effort basis, up to a maximum of 202,022,000 Placing Shares and shall be entitled to a placing commission of 2.5% of the aggregate consideration received by the Company from the issue of Placing Shares. The Directors are of the view that the placing commission accords with the market rate and is fair and reasonable. Save for the placing commission payable to the Placing Agent by the Company, no fees or commission is required to pay to Quam Securities.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners, are third parties independent of the Company and its Connected Persons.

The Placing Agent agreed to procure Placee(s), on a best effort basis, to subscribe for the Placing Shares at the Initial Placing Price within the Placing Period. The Placing Agent agreed to use all reasonable endeavours to ensure that the Placee(s) and their ultimate beneficial owners are third parties independent of the Company and the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Number of Placing Shares

A maximum of 202,022,000 Placing Shares represent approximately 19.99% of the Company's existing issued share capital of the Company of 1,010,535,039 Shares as at the Latest Practicable Date and approximately 16.66% of its issued share capital as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK\$20,202,200.

Placing Price

Pursuant to the Initial Placing Agreement, the Initial Placing Price was HK\$0.50 and represents:

- (i) a discount of approximately 36.71% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on 1 December 2010, being the date of the Initial Placing Agreement; and
- (ii) a discount of approximately 40.33% to the average closing price of approximately HK\$0.838 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 30 November 2010.

On 24 February 2011, the Company and the Placing Agent entered into the Supplemental Placing Agreement pursuant to which the parties agreed to revise the Initial Placing Price of HK\$0.50 per Placing Share under the Initial Placing Agreement to the Revised Placing Price of HK\$0.40 per Placing Share.

LETTER FROM THE BOARD

The Revised Placing Price of HK\$0.40 per Placing Shares represents:

- (i) a discount of approximately 49.37% to the closing price of HK\$0.79 per Share as quoted on the Stock Exchange on 1 December 2010, being the date of the Initial Placing Agreement;
- (ii) a discount of approximately 52.27% to the average closing price of approximately HK\$0.838 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 30 November 2010;
- (iii) a discount of approximately 23.08% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on 24 February 2011, being the date of the Supplemental Placing Agreement;
- (iv) a discount of approximately 23.95% to the average closing price of approximately HK\$0.526 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Supplemental Placing Agreement;
- (v) a discount of approximately 44.44% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of 7.86% to the unaudited consolidated net asset value of the Company attributable to the Shareholders as at 30 June 2010 of approximately HK\$0.4341 per Share; and
- (vii) a discount of 13.22% to the audited consolidated net asset value of the Company attributable to the Shareholders as at 31 December 2009 of approximately HK\$0.4609 per Share.

The net Revised Placing Price per Placing Share, after deduction of estimated expenses, is approximately HK\$0.39 per Placing Share.

The Revised Placing Price was determined after arm's length negotiations between the Company and the Placing Agent on the date of the Supplemental Placing Agreement with reference to the prevailing market price of the Shares and the consolidated net asset value of the Company per Share attributable to the Shareholders as at June 30 2010 and 31 December 2009 (both net asset value per Share are calculated on the basis of the net asset value at the respective balance sheet date divided by 1,010,535,039 Shares issued as at 24 February 2011).

Conditions Precedent of the Placing Agreement

The Placing is conditional upon:

- (a) The proposed grant of the Specific Mandate being granted by the Shareholders in the EGM;
- (b) the Placing Agent successfully procuring Placee(s) to place the Placing Shares during the Placing Period (or such later time and date as the Placing Agent and the Company shall agree in writing); and

LETTER FROM THE BOARD

- (c) the Company's compliance with and procurement of the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for permission to deal in the Placing Shares issued or to be issued and ensure the continued compliance thereof (provided in each case that the Placee(s) comply with and satisfies all such conditions).

If the above conditions are not fulfilled prior to expiry of the Placing Period or such later date as may be agreed between the Company and the Placing Agent, the Placing Agreement will lapse and become null and void and the parties to the Placing Agreement shall be released from all obligations under the Placing Agreement, save the liabilities for any antecedent breaches thereof.

Termination and force majeure events of the Placing Agreement

The Placing Agreement may be terminated by the Placing Agent if at any time prior to 10:00 a.m. on the date immediately preceding the Placing Completion Date, in the sole opinion and absolute discretion of the Placing Agent, the success of the Placing would or might be adversely affected by any of the following force majeure events:

- (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the opinion of the Placing Agent and in its absolute discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
- (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date thereof) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the sole opinion of the Placing Agent and in its absolute discretion will, or may be expected to, have a material adverse effect on the Placing; or
- (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the sole opinion of the Placing Agent and in its absolute discretion has or may have a material adverse effect on the Placing; or
- (d) any breach of any of the warranties under the Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing; or then and in any such case.

Completion of the Placing

Completion of the Placing shall take place on the Placing Completion Date.

LETTER FROM THE BOARD

THE SUBSCRIPTION

On 29 March 2011 (after trading hours), the Subscriber (as secured by the Placing Agent with the introduction and procurement of Quam Securities) and the Company entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for the Subscription Shares at a price of HK\$0.40 per Subscription Share.

Date : 29 March 2011 (after trading hours)

Parties : (1) Beijing Capital (Hong Kong) Limited, as the Subscriber
(2) the Company, as the issuer

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its Connected Persons.

Number of Subscription Shares

The number of the Subscription Shares, 202,022,000 new Shares, is based on the number of Placing Shares pursuant to the Placing Agreement.

202,022,000 Subscription Shares represent approximately 19.99% of the Company's existing issued share capital of the Company of 1,010,535,039 Shares as at the Latest Practicable Date and approximately 16.66% of its issued share capital as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares will be HK\$20,202,200.

Subscription Price

The Subscription Price of each Subscription Share is HK\$0.40, which is equivalent to the Revised Placing Price, is determined in accordance with the Placing Agreement. The net Subscription Price per Subscription Share, after deduction of estimated expenses, is approximately HK\$0.39 per Subscription Share.

The Subscription Price represents (i) a discount of approximately 54.5% to the closing price of HK\$0.88 per Share as quoted on the Stock Exchange on 29 March 2011, being the date of the Subscription Agreement; (ii) a discount of approximately 42.5% to the average closing price of approximately HK\$0.696 per Share as quoted on Stock Exchange for the last 5 trading days up to and including 28 March 2011; and (iii) a discount of approximately 44.44% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was agreed after arm's length negotiations between the Company and the Subscriber with reference to the terms of the Placing Agreement. The Subscription Price was based on the Revised Placing Price. The Directors consider that the Subscription Agreement is entered into on normal commercial terms and the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions Precedent of the Subscription Agreement

The Subscription is conditional upon:

- (a) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Subscription Shares and such approval not subsequently being revoked prior to the completion of the Subscription (provided that such grant is not subject to conditions to which the Subscriber may reasonably object) and the delivery of a copy of such approval to the Subscriber on the date of receipt by the Company;
- (b) the granting of the Specific Mandate by the Shareholders at the EGM in accordance with the requirements of the Listing Rules;
- (c) the Shareholders granting the approval of the Subscription Agreement and all transactions contemplated thereunder including the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Specific Mandate at the EGM;
- (d) the Board having approved the execution, delivery and performance of the Subscription Agreement and all transactions contemplated thereunder;
- (e) the representations and warranties under the Subscription Agreement remaining true and accurate and not misleading in all material respects as at the date thereof and the completion of the Subscription; and
- (f) the transactions contemplated under the Subscription Agreement will not trigger mandatory general offer obligations under the Takeovers Code.

The Subscriber may at its discretion waive all the above mentioned conditions precedent except for conditions (a), (b), (c) and (d). Should the Company become aware of anything which will or may prevent any of the abovementioned conditions being fulfilled, the Company shall disclose in writing to the Subscriber.

Termination of the Subscription Agreement

The Subscription Agreement may be terminated if at any time prior to the Subscription Completion Date:

- (a) by mutual agreement between the parties of the Subscription Agreement;
- (b) by the Company or the Subscriber if the completion of the Subscription shall not have occurred by the Subscription Completion Date provided, however, that the right to terminate the Subscription Agreement on this ground shall not be available to the party of the Subscription Agreement if such party's action or failure to act has been a principal cause of or resulted in the failure of the completion of the Subscription to occur on or before such date and such action or failure to act constitutes a breach of the Subscription Agreement;

LETTER FROM THE BOARD

- (c) by the Company or the Subscriber if any legislative body, court, administrative agency or commission or other governmental authority, instrumentality, agency or commission shall have enacted, issued, promulgated, enforced or entered any law (or a change in existing law) or governmental regulation (or a change in governmental regulation) or order which has the effect of prohibiting the sale and issuance of the Subscription Shares; or
- (d) by the Subscriber if there has been a breach of any representation, warranty, covenant or agreement of the Company contained in the Subscription Agreement which is incapable of being rectified within a period specified by the Subscriber; or
- (e) by the Subscriber if any Force Majeure Event occurs prior to the completion of the Subscription.

Completion of the Subscription

Subject to the fulfillment of the conditions (or waiver) set out in the Subscription Agreement, the completion of the Subscription shall take place on or before the Subscription Completion Date.

SPECIFIC MANDATE

In accordance with terms of the Placing Agreement, the Subscriber is procured by the Placing Agent to subscribe for new Shares. The Second Supplemental Placing Agreement was entered into between the Placing Agent and the Company in accordance with the development of the Placing. Correspondingly, the Subscription Agreement was entered into between the Subscriber and the Company separately after arm's length negotiations based on the principal terms of the Placing Agreement.

If the approval on the Specific Mandate is duly obtained at the EGM but the Subscription Agreement fails to complete, the Placing Agent shall continue to procure Placee(s) to subscribe for the Placing Shares pursuant to the Specific Mandate based on the principal terms set out in the Placing Agreement. The validity period of the Specific Mandate shall be on or before 30 June 2011.

The Subscription Shares/Placing Shares will be allotted and issued under the Specific Mandate to be granted to the Directors by a resolution of the Shareholders to be passed at the EGM.

RANKING OF THE SUBSCRIPTION SHARES/PLACING SHARES

The Subscription Shares/Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares/Placing Shares.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a wholly-owned subsidiary of 北京首創股份有限公司 (Beijing Capital Company Limited*), a company established in the People's Republic of China, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600008). The Subscriber is principally engaged in the overseas capital operations, investment and financing, environmental industry value chain and international business co-operation. 北京首創股份有限公司 (Beijing Capital Company Limited*) is a

LETTER FROM THE BOARD

listed vehicle controlled by 北京首都創業集團有限公司 (Beijing Capital Group Company Limited*), which is a state-owned group company under the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

The Subscriber has informed the Company that, on 29 March 2011, the Subscriber entered into certain convertible note purchase agreements with holders of the Sale Convertible Notes (the "CN Purchase Agreements") for the purchase of the Sale Convertible Notes at an aggregate consideration of HK\$147,000,000 (the "Purchase Price"). It is expected that the completion of the CN Purchase Agreements will occur before the EGM.

The Subscriber has further informed the Company that, pursuant to the CN Purchase Agreements, the Subscriber is entitled to require holders of such Sale Convertible Notes to purchase back all the Sale Convertible Notes at an amount equivalent to the Purchase Price at the sole discretion of the Subscriber (the "Put Option") after the completion of the CN Purchase Agreements.

The Put Option shall be exercisable (a) for a period of three Business Days commencing from the date of the EGM if the Shareholders' approval on either of the Specific Mandate or the Subscription Agreement and all transactions contemplated thereunder is not obtained at the EGM; or (b) for a period of three Business Days commencing from the date which is the fifteenth day from the date of the EGM or such other date as may be agreed by the parties, but in any event not later than 31 May 2011 or such other date as may be agreed by the parties to the CN Purchase Agreements (the "Due Date") if the approval from the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares has not been obtained on the Due Date.

REASONS FOR ENTERING INTO THE PLACING AGREEMENT, THE SUBSCRIPTION AGREEMENT AND USE OF PROCEEDS

The Company acts as an investment holding company. The Group is principally engaged in trading of apparel and accessories, provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects.

Reference is made to the announcements of the Company dated 2 December 2010 and 24 February 2011, respectively, in relation to the Placing of up to a maximum of 202,022,000 new Shares under the Specific Mandate. In accordance with terms of the Placing Agreement, the Subscriber is procured by the Placing Agent to subscribe for new Shares. Reference is also made to the announcement of the Company dated 23 March 2011 that the "potential investor" as referred to in this announcement is the Subscriber. The Second Supplemental Placing Agreement was entered into between the Placing Agent and the Company in accordance with the development of the Placing. Correspondingly, the Subscription Agreement was entered into between the Subscriber and the Company separately after arm's length negotiations based on the principal terms of the Placing Agreement.

If the approval on the Specific Mandate is duly obtained at the EGM and the Subscription Agreement fails to complete, the Placing Agent shall continue to procure Placee(s) to subscribe for the Placing Shares pursuant to the Specific Mandate based on the principal terms set out in the Placing Agreement. As such, the Company shall still be able to make use of the opportunity to raise funding

LETTER FROM THE BOARD

notwithstanding the unsuccessful Subscription. The Directors consider that the terms of the Placing Agreement and the Subscription Agreement are in the interests of the Shareholders and the Company as a whole.

The gross proceeds from the Subscription will be approximately HK\$80.8 million. The Company plans to use the maximum net proceeds of approximately HK\$78.8 million from the Subscription for (i) general working capital of the Group and/or (ii) repayment of debts of the Group. It is estimated that approximately HK\$50 million will be applied to repayment of the short term liability of the Group and the balance of which will be applied to the general working capital of the Group, mainly for the development of waste-to-energy projects in the PRC. The Directors will review the capital requirement of the various operation of the Group from time to time and allocate the financial resources as and when required.

The Directors have considered different types of fund raising arrangement including the possibility of a rights issue or an open offer. However, the Directors found that it was difficult to secure an underwriter to commit to any one of the aforementioned fund raising exercise mainly due to the market situation. In this respect, the Placing is a more feasible method of fund raising as it is on a best effort basis. The Subscriber was procured by the Placing Agent pursuant to the Placing Agreement. The Directors are also of the view that the Subscription will enlarge the shareholder base and the capital base of the Company. In addition, the net proceeds of the Subscription will strengthen the Group's financial position for future development of the Group. Accordingly, the Directors consider that entering into the Placing Agreement and the Subscription is in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

The table below sets out the equity fund raising activities of the Company conducted during the past twelve months from the Latest Practicable Date and the actual use of proceeds obtained therefrom. All of the funds raised within the past 12 months have been utilized or reserved as intended.

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
26 August 2011	Top up placing of 148,400,000 new Shares under general mandate	HK\$75.9 million	To be used as the general working capital and for repayment of loans of the Group	As to HK\$50 million used to repay a loan and the remaining kept at bank before utilised for operating expenses
1 April 2010	Top up placing of 76,400,000 new Shares under general mandate	HK\$147.8 million	To be used for the general working capital of the Group	Used as equity injection in subsidiaries in the PRC and among which as to approximately HK\$52 million paid by the subsidiaries for procurement of waste-to-energy equipment and machinery and the remaining kept at bank before utilised for operating expenses

Save as disclosed above, there has not been any other equity fund raising activities in the last 12 months immediately before the Latest Practicable Date.

LETTER FROM THE BOARD

CHANGES TO THE EXISTING ISSUED SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE SUBSCRIPTION

The table below sets out the existing issued share capital of the Company (i) as at the Latest Practicable Date; (ii) as it would be immediately after the completion of the Subscription; (iii) as it would be immediately after the completion of the Subscription and conversion of all Sale Convertible Notes; and (iv) as it would be immediately after the completion of the Subscription and conversion of all Sale Convertible Notes and conversion of all outstanding Convertible Notes and Convertible Bonds.

Shareholders Name	Shareholding in the Company as at the Latest Practicable Date		Shareholding in the Company upon completion of Subscription (Note A)		Shareholding in the Company upon Completion of Subscription and conversion of all Sale Convertible Notes held by the Subscriber (Note B)		Shareholding in the Company upon completion of Subscription and conversion of all outstanding Convertible Notes and Convertible Bonds (Note C)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Best View Enterprises Limited	76,400,000	7.56%	76,400,000	6.30%	76,400,000	5.61%	76,400,000	4.69%
Simple Success Investments Limited	72,000,000	7.12%	72,000,000	5.94%	72,000,000	5.28%	262,338,983	16.11%
Charm Hero Investments Limited, (Note 1) Ngok Yan Yu and his associates	76,344,205	7.55%	76,344,205	6.30%	76,344,205	5.60%	76,344,205	4.69%
Sycomore Limited, (Note 2) Mr. Marcello Appella and his associates	3,588,030	0.36%	3,588,030	0.30%	3,588,030	0.26%	3,588,030	0.22%
Holder of Convertible Bonds	9,341,000	0.92%	9,341,000	0.77%	9,341,000	0.69%	71,741,000	4.40%
The Subscriber	—	—	202,022,000	16.66%	352,022,000	25.84%	352,022,000	21.61%
Existing public Shareholders	<u>772,861,804</u>	<u>76.48%</u>	<u>772,861,804</u>	<u>63.74%</u>	<u>772,861,804</u>	<u>56.72%</u>	<u>786,421,126</u>	<u>48.28%</u>
Total	<u><u>1,010,535,039</u></u>	<u><u>100.00%</u></u>	<u><u>1,212,557,039</u></u>	<u><u>100%</u></u>	<u><u>1,362,557,039</u></u>	<u><u>100.00%</u></u>	<u><u>1,628,855,344</u></u>	<u><u>100.00%</u></u>

Note:

- A: (i) Assuming no conversion of Convertible Notes and Convertible Bonds and (ii) no exercise of Share Option.
- B: (i) Assuming no adjustment of the conversion price of the Convertible Notes; (ii) no exercise of Share Option and (iii) the CN Purchase Agreements are duly completed.
- C: (i) Assuming no adjustment of the conversion price of the Convertible Notes and Convertible Bonds, (ii) no exercise of Share Option; and (iii) the CN Purchase Agreements are duly completed.
- (1) These Shares include 76,344,205 Shares held by Charm Hero Investments Limited, a wholly-owned subsidiary of Mensun Limited (which was controlled by Mr. Ngok Yan Yu, the chairman and an executive Director).
- (2) These Shares are held by Sycomore Limited, which is owned as to 50% by Mr. Marcello Appella, an executive Director, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company also has outstanding Share Options which entitle their holders to subscribe for up to a maximum of 15,068,805 new Shares, which would represent approximately 1.47% of the issued share capital of the Company as enlarged by the issue of new Shares on exercise of the Share Options as at the Latest Practicable Date and approximately 0.92% of the share capital of the Company assuming the completion of the Subscription and as enlarged by the issue of new Shares on exercise of the Share Options and full conversion of the outstanding Convertible Notes and Convertible Bonds and assuming no adjustment to the respective conversion prices. The Share Options have not been taken into account for the purposes of preparing the tables above.

ADJUSTMENT OF THE CONVERSION PRICE UNDER THE CONVERTIBLE BONDS AND THE CONVERTIBLE NOTES

The terms of the instruments constituting the Convertible Notes and Convertible Bonds may require adjustments to the respective conversion prices for consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distributions, issue of new Shares and other securities by way of rights. Further announcement containing details of the adjusted conversion prices will be made if and when appropriate.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of approval for the listing of, and permission to deal in, the Placing Shares/Subscription Shares.

EGM

A notice of the EGM is set out on pages 18 to 19 of this circular for the Shareholders to consider and, if thought fit, pass the ordinary resolution(s) set out therein.

A form of proxy for the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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.

Pursuant to Rule 13.39(4) of the Listing Rules, the votes of the Shareholders at the EGM will be taken by way of poll. The Company will make a further announcement on the result of the EGM. To the best knowledge and belief of the Directors, the relevant holders of the Sale Convertible Notes do not hold any Shares. If the relevant holders of the Sales Convertible Notes hold any Shares as at the date of the EGM, they will be abstained from voting for the resolution(s) regarding the Specific Mandate.

LETTER FROM THE BOARD

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, 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 facts the omission of which would make any statement herein misleading.

RECOMMENDATION

Having considered the factors and reasons as stated above, the Board considers that the Placing and/or the Subscription is in the interest of the Company and the Shareholders as a whole and accordingly recommends the Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM.

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

* *for identification purpose only*

NOTICE OF EGM



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: 03989)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of New Environmental Energy Holdings Limited (the “Company”) will be held at 11:00 a.m. on Tuesday, 17 May 2011 at Falcon Room II, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, pass the following resolutions as ordinary resolution:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the Placing Agreement dated 1 December 2010 as amended by the Supplemental Placing Agreement dated 24 February 2011 and the Second Supplemental Placing Agreement dated 29 March 2011 (together the “Placing Agreements”) entered into between the Company and Fortune (HK) Securities Limited in relation to the placing of a maximum of 202,022,000 new shares (“New Shares”) of HK\$0.10 each in the share capital of the Company at a placing price of HK\$0.40 per New Share, (a copy of which is marked “A” and has been produced to the meeting and signed by the chairman of the meeting for purpose of identification) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Shares, the issue and allotment of the New Shares, pursuant to and subject to the terms and conditions of the Placing Agreements, be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to exercise all the powers of the Company and take all steps as might in his/her opinion be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Placing Agreements as well as in relation to the issue and allotment of the New Shares, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.”

NOTICE OF EGM

2. **“THAT:**

- (a) the subscription agreement dated 29 March 2011 entered into between the Company and Beijing Capital (Hong Kong) Limited in relation to the subscription of the New Shares at a subscription price of HK\$0.40 per New Share (“Subscription Agreement”), (a copy of which is marked “B” and has been produced to the meeting and signed by the chairman of the meeting for purpose of identification) and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the New Shares, the issue and allotment of the New Shares, pursuant to and subject to the terms and conditions of the Subscription Agreement or the Second Supplemental Placing Agreement / Placing Agreements, as the case may be, be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to exercise all the powers of the Company and take all steps as might in his/her opinion be desirable, necessary or expedient in connection with the implementation of the transactions contemplated under the Subscription Agreement as well as in relation to the issue and allotment of the New Shares, including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements.”

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

Hong Kong, 28 April 2011

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, where that member holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. A proxy form is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete and return the proxy form in accordance with the instructions printed thereon.
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 or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the meeting 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 meeting, in person or by proxy, in respect of such share as if he or she was solely entitled thereto, but if more than one of such holders be present at the meeting, 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.
5. Completion and return of the proxy form shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing such a proxy shall be deemed to be revoked.
6. Votes on the ordinary resolutions to be proposed will be taken by way of poll.