THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about 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**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, the licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF FULL CHARM HOLDINGS LIMITED

Financial Adviser

VEDA | CAPITAL
智 略 資 本

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

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A letter from the board of directors of the Company is set out on pages 5 to 19 of this circular. A letter from the independent board committee of the Company (the "Independent Board Committee") containing its advice and recommendation to the independent shareholders of the Company (the "Independent Shareholders") is set out on page 20 of this circular. A letter from Guangdong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 21 to 31 of this circular.

A notice convening the extraordinary general meeting of the Company (the "EGM") to be held at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 18 October 2010 at 11:00 a.m. is set out on pages 68 to 69 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.

24 September 2010

CONTENTS

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

"Acquisition"	acquisition of Smartview Investment Holdings Ltd. (the holding company of various subsidiaries engaging in the waste to energy business) by the Company, details of which are set out in the Company's announcement dated 23 September 2009 and circular dated 23 November 2009
"Agreement"	the conditional sale and purchase agreement dated 8 June 2010 entered into between the Company, the Vendor, the Purchaser and the Creditor in relation to the Disposal
"Announcement"	the announcement of the Company dated 16 July 2010 in relation to the Agreement
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	New Environmental Energy Holdings Limited (stock code: 3989), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Disposal in accordance with the Agreement
"Completion Date"	the date falling the seventh business day after the last condition precedent having been fulfilled or waived (or such other dates as the parties to the Agreement may agree)
"connected person"	has the meaning ascribed to this term under the Listing Rules
"Consideration"	the consideration of HK$450 million of the Disposal pursuant to the Agreement
"Creditor"	Bright King Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially and wholly owned by Mr. Ngok
"Directors"	the directors of the Company
"Disposal"	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Agreement
"Earnest Money"	the earnest money for the amount of HK$250 million paid by the Purchaser pursuant to the MOU

"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Guangdong Securities"	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal
"Independent Shareholders"	Shareholders other than Mr. Ngok, the Purchaser, the Creditor and their respective associates
"Latest Practicable Date"	21 September 2010, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	5:00 p.m. on 30 October 2010, or such later date or time as the parties to the Agreement may agree in writing
"MOU"	the memorandum of understanding entered into between the Company and the Purchaser on 24 December 2009 in relation to, among others, the potential investment made by the Purchaser in the Vendor including but not limited to, subscription of new shares and/or convertible instruments in the Vendor, providing financing or acquiring the interest of the Vendor and/or companies held by the Vendor
"Mr. Ngok"	Mr. Ngok Yan Yu, a Director and the chairman of the Company
"Newco"	a company with limited liability incorporated in Hong Kong and a direct wholly owned subsidiary of the Target Company

"Promissory Note"	an interest free promissory note in the principal amount of HK$200 million maturing on 11 December 2014 issued by the Vendor to the Creditor on 11 December 2009 in satisfaction of part of the consideration for the Acquisition payable to the Creditor
"PRC"	The People's Republic of China and for the sole purpose of this Agreement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Purchaser"	Bloom Origin Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially and wholly owned by Mr. Ngok
"Remaining Group"	the Company and its subsidiaries other than the Target Group
"Reorganization"	the reorganization to be undertaken by the Vendor for the Target Company setting up the Newco, Newco's acquisition of Subsidiary Group B and the Target Company's acquisition of Subsidiary Group A, following which the Target Company and its subsidiaries will have the structure as set forth in the chart headed "Immediately after the Reorganisation" under the section headed "Reorganisation" in the letter from the Board of this circular
"Sale Shares"	the entire issued share capital of the Target Company as at Completion
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.1 each of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary Group A"	Spring Castle Group Limited, Primeline Investment Limited and Investland Investments Limited and their respective wholly-owned subsidiaries, Limei International Limited, Hembly Garment Manufacturing Macao Commercial Offshore Limited (恒寶利製衣澳門離岸商業服務有限公司), M.T.T. Limited (恒賽爾有限公司), 恒賽爾(揚州)服裝有限公司 (M.T.T. (Yangzhou) Garment Co., Limited**)

"Subsidiary Group B"	恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited**), 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**), 亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited**), ST Sourcing Limited, 揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited), 揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited**), 恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited**) and the wholly-owned subsidiaries of 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**), namely 南京德懋商貿有限公司 (Nanjing Hembly Commercial Co., Limited**) and 深圳恒寶利服飾有限公司 (Shenzhen Hembly Garment Co., Limited**)
"Target Company"	Full Charm Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Vendor
"Target Group"	the Target Company, Newco and the Target Subsidiaries
"Target Subsidiaries"	Subsidiary Group A, Subsidiary Group B and Hembly Garment Limited (恒寶利服裝有限公司) and its wholly-owned subsidiary, Scienward (Nanjing) Garment Co. Ltd. (欣隆(南京)服裝有限公司)
"Vendor"	Full Prosper Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
"%"	per cent.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Euro"	official currency of Eurozone

** *Unofficial English translation*

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:	*Registered Office:*
Mr. Ngok Yan Yu *(Chairman)*	Cricket Square
Mr. Marcello Appella	Hutchins Drive
Mr. Chan Tak Yan	P.O. Box 2681
Mr. Ng Cheuk Fan, Keith	Grand Cayman KY1-1111
Ms. Yu Sau Lai	Cayman Islands
Non-executive Directors:	*Head Office and Principal Place of Business:*
Mr. Ho Gilbert Chi Hang	Room 302B, 3rd Floor
Mr. Mok Chung Kwan, Stephen	New World Tower
Mr. Lim Jui Kian	16–18 Queen's Road Central
Mr. Cai Qiao Herman *(alternate Director to Mr. Lim Jui Kian)*	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	

24 September 2010

To the Shareholders

Dear Sir and Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF FULL CHARM HOLDINGS LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 24 December 2009 relating to, among others things, the MOU.

On 8 June 2010, the Company, the Vendor (a wholly owned subsidiary of the Company), the Purchaser and the Creditor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK$450 million.

Upon completion of the Reorganization, the Target Company will be the holding company of Newco and the Target Subsidiaries. Members of the Target Group are principally engaged in investment holdings and trading, manufacturing and sales of apparel and accessories or dormant companies as at the Latest Practicable Date. The Sale Shares represents the entire issued share capital of the Target Company as at Completion.

The purpose of this circular is to set out, among other things, further details of the Disposal, the financial information of the Target Group, the recommendation from the Independent Board Committee, the letter of advice from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders relating to the Agreement and the transactions contemplated thereunder and the notice of EGM.

THE AGREEMENT

Date: 8 June 2010

Parties:

Purchaser: Bloom Origin Limited, a company incorporated in the British Virgin Islands

Vendor: Full Prosper Holdings Limited, a company incorporated in the British Virgin Islands which is a wholly owned subsidiary of the Company

Company: New Environmental Energy Holdings Limited, holding company of the Vendor

Creditor: Bright King Investments Limited, a company incorporated in the British Virgin Islands

The Purchaser and the Creditor are investment holding companies and both are ultimately and beneficially owned by Mr. Ngok who is a Director and hence connected persons of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Ngok, the Purchaser and the Creditor and their respective associates in aggregate beneficially owns 76,594,205 Shares, representing approximately 7.68% of the entire issued share capital of the Company as at the Latest Practicable Date.

Assets to be disposed

Pursuant to the Agreement, the Purchaser conditionally agreed to purchase and the Vendor agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company as at Completion. The Target Company will be the holding company of Newco and the Target Subsidiaries upon completion of the Reorganization. Members of the Target Group are principally engaged in investment holdings and trading, manufacturing and sales of apparel and accessories or dormant companies is at the Latest Practicable Date. Upon Completion, the apparel business in the Remaining Group will be carried on in a trading mode as set out under the section headed "Operation of the Remaining Group" below and the Target Company and the Target Subsidiaries will cease to be subsidiaries of the Company.

Consideration

The Consideration of HK$450 million shall be settled in the following manner:

(i) as to HK$200 million by the Purchaser procuring the Creditor to waive all its rights in the Promissory Note by surrendering the Promissory Note to the Vendor for cancellation at Completion; and

(ii) as to HK$250 million by the Purchaser applying the Earnest Money for settlement.

The payment of HK$134 million out of the Consideration of HK$450 million represents the settlement of the debt to the Remaining Group of the same amount due from the Target Subsidiaries to the Remaining Group. Such debt represent the loans and advancement of various holding companies of the Target Subsidiaries and their trade debts within the Group. The Consideration was agreed between the Company and the Purchaser after arm's length negotiations with reference to, among others, the aggregate net asset values of the Target Subsidiaries of approximately HK$315 million as at 31 December 2009 and the aggregate net debts due from the Target Subsidiaries to the Remaining Group of approximately HK$134 million as at 31 December 2009 as extracted from the unaudited management amounts of the Target Subsidiaries.

Conditions precedent

Completion is subject to and conditional upon to the fulfillment of the following:

(i) the Reorganization of the Target Group having been completed;

(ii) the Independent Shareholders having approved the Agreement and the transactions contemplated thereunder at the EGM in accordance with the Listing Rules;

(iii) all the net debts due from the Target Group to the Remaining Group, other than the debts in the sum of HK$134 million due from the Target Group to the Remaining Group which will be settled by the application of the same amount from the Consideration at Completion, having been settled in full;

(iv) all the net debts, if any, due from the Remaining Group to the Target Group having been settled or waived in full by the Target Group at the discretion and direction of the Company; and

(v) all necessary consents, waivers, approvals from the governmental or regulatory authorities in Hong Kong, PRC or other applicable jurisdictions required for the Reorganization, the sale and purchase of the Sale Shares and all other transactions contemplated thereunder having been obtained.

None of the above conditions may be waived except condition (iii) may be waived by the Company solely. If any of the conditions above have not been satisfied or waived by the Company by the Long Stop Date, the Agreement shall lapse, and the Agreement shall be null and void and of no further effect pursuant to the terms of the Agreement and neither party to the Agreement shall have any obligations and liabilities thereunder provided that any right of or remedies of a party which shall have accrued shall not be prejudiced or affected. The Company shall procure to refund the Earnest Money without interest to the Purchaser within eighteen months from the Long Stop Date.

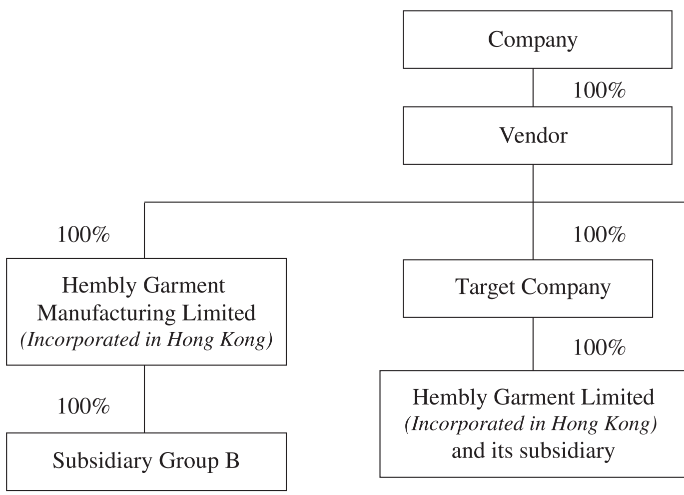
Completion

Completion shall take place on the Completion Date.

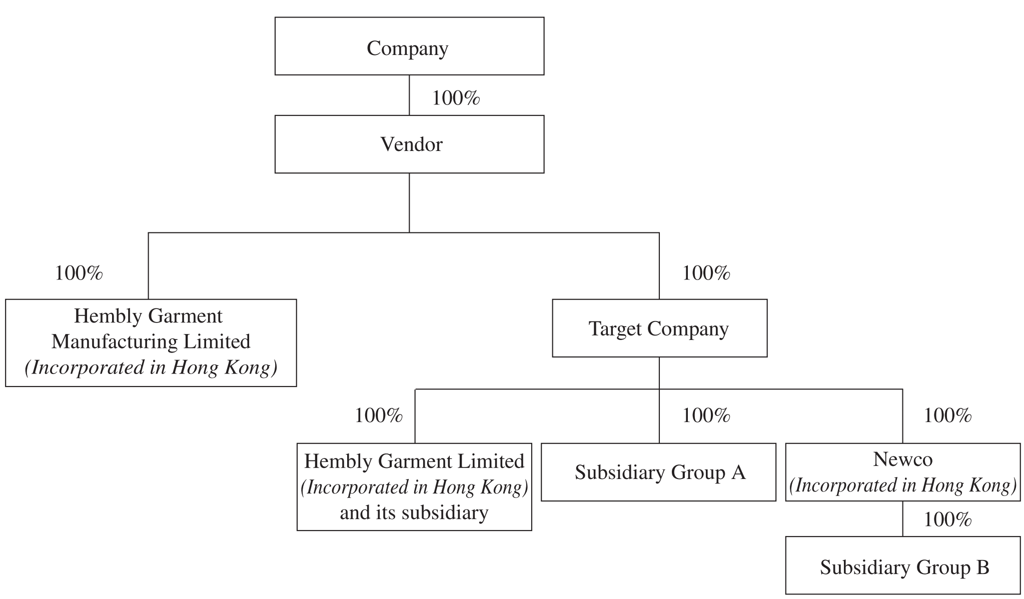
REORGANISATION

Set out below are shareholding structures of the Target Company and the Target Subsidiaries (i) immediately before the Reorganization; (ii) immediately after the Reorganization; and (iii) upon completion of the Disposal:

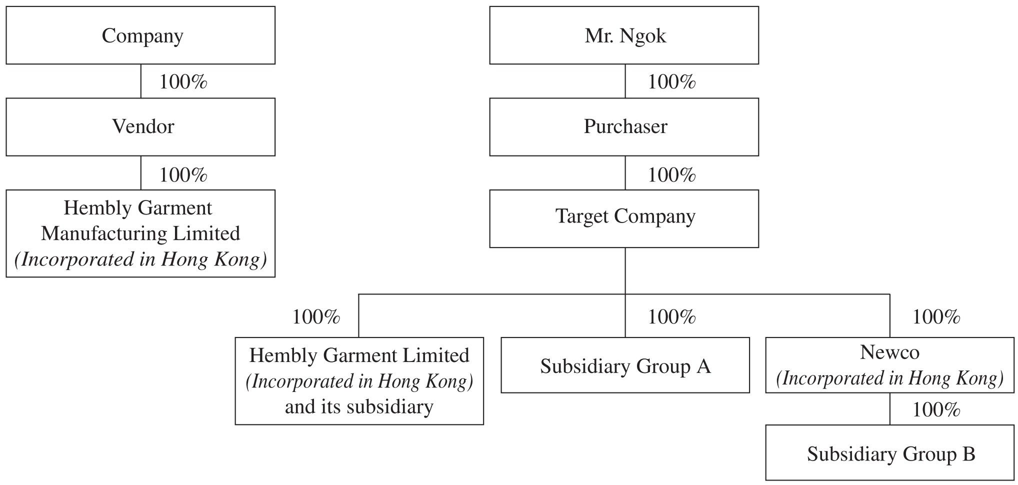
Immediately before the Reorganization:



Immediately after the Reorganization:



Upon Completion:



INFORMATION ON THE TARGET GROUP

The Target Company is a wholly-owned subsidiary of the Vendor which in turn is wholly owned by the Company and is incorporated in the British Virgin Islands with limited liability on 12 April 2010. The Target Company is an investment holding company and upon completion of the Reorganization, the Target Company will be the holding company of Newco and the Target Subsidiaries. Members of the Target Group are principally engaged in investment holdings and trading, manufacturing and sales of apparel and accessories or dormant companies as at the Latest Practicable Date.

Set out below is the information of the Target Subsidiaries as at the Latest Practicable Date:

Spring Castle Group Limited and Limei International Limited

Spring Castle Group Limited is a wholly-owned subsidiary of the Vendor and is incorporated in the British Virgin Islands on 8 February 2005. Spring Castle Group Limited is an investment holding company and its wholly-owned subsidiary, namely Limei International Limited, is dormant.

Primeline Investment Limited, M.T.T Limited (恒賽爾有限公司) and 恒賽爾(揚州)服裝有限公司 (M.T.T. (Yangzhou) Garment Co., Limited**)

Primeline Investment Limited is a wholly-owned subsidiary of the Vendor and is incorporated in the British Virgin Islands on 1 July 2004. Primeline Investment Limited is an investment holding company and its wholly-owned subsidiaries, namely M.T.T. Limited (恒賽爾有限公司) and 恒賽爾(揚州)服裝有限公司 (M.T.T. (Yangzhou) Garment Co., Limited**), are principally engaged in manufacturing, processing and sale of apparels.

Investland Investments Limited and Hembly Garment Manufacturing Macao Commercial Offshore Limited (恒寶利製衣澳門離岸商業服務有限公司)

Investland Investments Limited is a wholly-owned subsidiary of the Vendor and is incorporated in the British Virgin Islands on 16 April 2004. Investland Investments Limited is an investment holding company and its wholly-owned subsidiary, namely Hembly Garment Manufacturing Macao Commercial Offshore Limited (恒寶利製衣澳門離岸商業服務有限公司), is principally engaged in sale of garment.

Hembly Garment Limited (恒寶利服裝有限公司) and 欣隆(南京)服裝有限公司 (Scienward (Nanjing) Garment Co. Ltd.)

Hembly Garment Limited (恒寶利服裝有限公司) is a wholly-owned subsidiary of the Target Company and is incorporated in Hong Kong on 11 September 2000. Hembly Garment Limited (恒寶利服裝有限公司) is an investment holding company and its wholly-owned subsidiary, namely 欣隆(南京)服裝有限公司 (Scienward (Nanjing) Garment Co. Ltd.), is principally engaged in garment manufacturing and sourcing of garment products.

恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited)**

恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly-owned subsidiary of the Vendor, and is incorporated in the PRC on 24 January 2003. 恒寶利(揚州)製衣有限公司 (Hembly (Yangzhou) Garment Manufacturing Company Limited**) is principally engaged in garment manufacturing and trading.

恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited), 南京德懋商貿有限公司 (Nanjing Hembly Commercial Co., Limited**) and 深圳恒寶利服飾有限公司 (Shenzhen Hembly Garment Co., Limited**)**

恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly-owned subsidiary of the Vendor, and is incorporated in the PRC on 7 April 2000. 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Limited**) and its wholly-owned subsidiary, namely 南京德懋商貿有限公司 (Nanjing Hembly Commercial Co., Limited**), are principally engaged in garment manufacturing whilst its another wholly-owned subsidiary, namely 深圳恒寶利服飾有限公司 (Shenzhen Hembly Garment Co., Limited**) is dormant.

亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited)**

亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 1 July 2004. 亨百利(南京)製衣有限公司 (Hembly (Nanjing) Garment Manufacturing Co., Limited**) is principally engaged in property holding and sale of garments.

ST Sourcing Limited

ST Sourcing Limited is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in Hong Kong on 7 May 2007. ST Sourcing Limited is principally engaged in sourcing of raw materials for apparel.

揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited)

揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 12 October 2009. 揚州斯通富來服飾有限公司 (Yangzhou Stonefly Company Limited) is principally engaged in manufacturing, sale and warehouse services of garment.

揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited)**

揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 4 August 2005. 揚州恒佳製衣有限公司 (Yangzhou Hengjia Garment Manufacturing Co., Limited**) is principally engaged in manufacturing, processing and sale of garment products.

恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited)**

恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited**) is a wholly-owned subsidiary of Hembly Garment Manufacturing Limited, which in turn is a wholly owned subsidiary of the Vendor, and is incorporated in the PRC on 12 December 2006. 恒寶利(揚州)服飾有限公司 (Hembly (Yangzhou) Garment Co., Limited**) is principally engaged in manufacturing, dyeing, processing and sale of garment products.

Set out below is the unaudited combined financial information of the Target Group for the two financial years ended 31 December 2009 and six months ended 30 June 2010 as extracted from Appendix II Financial Information of the Target Group of this circular.

	For the financial year ended 31 December 2008	**For the financial year ended 31 December 2009**	**For the financial period ended 30 June 2010**
	HK$ million	*HK$ million*	*HK$ million*
Profit/(Loss) before taxation from continuing operations	46.08	(229.77)	(92.27)
Profit/(Loss) for the year/period from continuing operations	34.88	(229.14)	(95.66)
Profit/(Loss) for the year/period from discontinued operation	(20.40)	(63.88)	—
Profit/(Loss) for the year/period	14.48	(293.02)	(95.66)

	As at 30 June 2010
	HK$ million
Net assets	220.23

BACKGROUND, REASONS AND BENEFITS OF THE DISPOSAL

Background and reasons

The principal activities of the Company and its subsidiaries are the manufacture and sales of apparel and accessories, and technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment, especially waste-to-energy projects.

In December 2009, Euro currency has been depreciating drastically followed by the announcement of rising government deficits and debt levels in European countries PIIGS (i.e. Portugal, Italy, Ireland, Greece and Spain). The depreciation of Euro is expected to further reduce purchasing power and worsen the general economy of the Eurozone countries. Given that Europe is a major geographical segment of the Group which attributed more than 50% of the total revenue from continuing operation of the Group for the year ended 31 December 2009, it is inevitably that the Group's performance has been adversely affected by the economic downturn in Europe.

In addition, due to the general tightening credit policy of banks following the financial crisis, the Group faced the problem of having trade facilities available from certain bankers reduced or even withdrawn after repayment. Bank facilities which are provided based on the letters of credit from customers can no longer cover the required funds for the Company to purchase manufacturing materials and fabrics.

In order to reduce the reliance of the Group's apparel business on bank borrowings, the Group began to look for alternative funding and explored the possibility of investment in the Vendor by Mr. Ngok, the founder of the Group. With this background, the Company entered into the MOU with Mr. Ngok on 24 December 2009. Under the MOU, the parties agreed to negotiate for a possible investment in the Vendor, a wholly-owned subsidiary of the Company and the intermediate holding company of the Company's subsidiaries engaging in the apparel business. Pursuant to the MOU, the Purchaser, which is wholly-owned by Mr. Ngok, paid HK$250 million to the Company as upfront earnest monies.

From December 2009 to the first quarter of 2010, three bankers of the Company cancelled their trade facilities (which amounted to a total of approximately HK$230 million) supporting the Group's garment business of the Group. The banks informally advised the Company that their withdrawal was mainly due to the losses incurred in the first half of 2009 and the second half of 2009 and the worsening of the European market which the Group's customers primarily resides. Thereafter, only approximately HK$50 million of trade facilities remained available to the Group. This drove the Company to come up with the current proposal of restructuring the business model of its apparel business from a manufacturing-and-trading mode to a trading mode, so that the garment business could enjoy the comparative advantage of being less reliant on the banking facilities in supporting the working capital, for example, letters of credit may be transferred to the suppliers to reduce the Group's working capital requirement. The Company began to negotiate with Mr. Ngok for the possible Disposal based on this direction in late April of 2010.

During this period, the Company had been approached by various independent potential investors or purchasers which had shown interests in some of the subsidiaries of the Company (the "Previous Approach"). However, the offers of such potential investors/purchasers were pre-matured and at a consideration which was lower than the net asset value of the proposed targets and hence were not favourable to the Group and the Company and such potential investors/purchasers were unable to reach a consensus on the major terms of the potential transactions in the discussions and therefore, no such transactions were materialized.

In April 2010, Standard and Poor's downgraded Greece's debt ratings below investment grade to junk bond status and Portuguese debt two notches, and issued negative outlook warning that further downgrades to junk status are likely. Stock indices around the world dropped approximately 2% to 6% on the news. In May 2010, Europe's Finance Ministers approved a comprehensive rescue package worth almost a trillion Euro dollars aimed at ensuring financial stability across Europe. Concerns about the ability of the Eurozone to deal with spreading crisis effectively caused severe market sell-off, and volatility continued to accelerate followed by strikes and protests in Eurozone countries e.g. Greece and Athens. On 8 June 2010, Euro has fallen by more than 21% to approximately Euro1: US$1.1902 as compared to the highest exchange rate in December 2009 of approximately Euro1: US$1.5141 on 3 December 2009.

The worsening economy in Europe further drove the Company to speed up the implementation of the Group's restructure of its apparel business and after further discussion and negotiation with Mr. Ngok the Company concluded the sale and purchase agreement with Mr. Ngok for the Disposal in early June of 2010.

Benefits from Disposal

The Disposal represents a corporate act to implement the restructure of the Company's existing apparel business from a manufacturing-and-trading mode to a trading mode so as to enjoy the following comparative advantages of the latter:

- no longer necessary for the Remaining Group to fulfill the fixed production capacity in its own PRC factories after the Disposal, the Remaining Group can flexibly source in PRC or other Asian countries which have a lower production cost;

- with less fixed costs after the Disposal, the breakeven point has been significantly lower and the Group has less pressure to recover the fixed costs, which allow the Group to focus on the profitability instead of turnover;

- less reliant on the banking facilities as substantially less fixed cost is required and letters of credit may be transferred to the suppliers; and

- with a stronger financial status of the Remaining Group, sourcing can be secured by placing deposit or offering more flexible payment terms to the suppliers which is not required before the crisis. Moreover, more flexible payment terms can be offered to the branded customers.

The Directors notice that there is huge production capacity available in the market currently and the Company can source flexibly in the PRC or other South-East Asian countries despite the production capacity would cease to be secured as a result of the Disposal. Moreover, the price maybe higher or lower depending on the market conditions and the places of manufacturing; nevertheless, the price can be shifted to be borne by the customers of the Group.

Having considered the Disposal is expected not only to benefit the Group from the above mentioned comparative advantages, it will also allow the Group to dispose the significant loss-making segment of the apparel business to improve the profit margin and to relieve the Group from the burden of making further capital injection to such segment and hence improve the overall financial position of the Group, the Directors consider the Disposal as a proactive remedy for the Group to improve and strengthen the operation and the financial performance of the Group by streamlining the apparel business into a trading mode which carries less fixed cost and provides a higher flexibility on cost-control to the Company, such that the Group will be in a better position to continue the apparel business after its restructure into a trading mode under the current macroeconomic environment although it is not expected the Disposal will eliminate the adverse impact of the worsening economy of Europe on the Group entirely. On the basis set out above, they are of the view that the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OPERATION OF THE REMAINING GROUP

Apparel business

Upon Completion, the apparel business in the Remaining Group will be carried on at trading-mode. There are around 50 suppliers and around 15 customers for the apparel segment under the Remaining Group and currently, approximately 20% of the total purchase made by the apparel segment under the Remaining Group is sourced from the Target Group. Generally, product price is determined based on the negotiations between the merchandisers of the trading group of the apparel segment of the Company and various suppliers including members of the Target Group. Quotes from various suppliers, including members of the Target Group, will be received and further negotiation will be proceeded with suppliers who offer favourable terms to the Company.

The remaining apparel business will be carried on at trading mode as follows:

- The potential customers will place designs to the Group for developing samples;
- The Group will source various suppliers to develop those samples;
- At the same time, the Group will negotiate with customers for the costing to develop these samples; costing sheet will be calculated internally and the price will be approved and then quote to the customers;
- Samples will be sent to customers for revision and approval;
- Once the samples have been developed, customers will start to place orders to the Group;
- At the time the customers placed purchase orders to the Group, the Group will negotiate with the suppliers for their production capacity and will only take up the orders when the conditions can be met;
- Pro forma invoices will be issued to the customers as a sales confirmation;
- Letters of credit may be issued by the customers to the Group. For open account customers, the Group will finance its purchase using its own working capital;
- Letters of credit may be transferred to the suppliers to reduce the Group's working capital requirements; and
- Quality control will be done by the Group before delivery and throughout the whole process for monitoring.

Status of waste to energy business

The Shenzhen Pinghu plant (using incineration for waste treatment) is already in operation. The Beijing Dongcun plant (using anaerobic digestion technology for waste treatment) is now under trial run and it is expected that the initial operation can be achieved by the fourth quarter of the year 2010.

As set out in the Company's announcement dated 9 July 2010, the Group entered into an agreement on 9 July 2010 (the "Framework Agreement") to increase its stake through capital injection of up to RMB78.90 million (subject to necessary governmental approvals) in an associated company, namely 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Co. Ltd.**), which is the owner and the prospective operator of the Shanghai Putuo plant, which will be a waste treatment and electricity generation plant. Upon completion of the capital injection, the equity interest held by the Group in 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Co. Ltd.**) will be increased from 33.80% to the range between 50.12% to 63.00%. The construction of Shanghai Putuo plant is expected to be completed by the end of the year 2010 and the initial operation is expected to commence by early 2011.

USE OF PROCEEDS AND FINANCIAL EFFECT OF THE DISPOSAL

Given that HK$200 million of the Consideration will be settled against the Promissory Note, the gross proceeds from the Disposal will be HK$250 million, being the Earnest Money which has already been received in December 2009, and the Company estimates that the net proceeds from the Disposal is approximately HK$246 million. The entire net proceeds has been utilized as to approximately HK$180 million for the settlement of bank loans and the remaining proceeds will be utilized for working capital of the Group.

It is the commercial negotiation between the Company and the Purchaser to partly settle the Consideration by the Promissory Note after taking into account the following factors:

- it is commercially justifiable for a creditor to settle a payment to a debtor by first setting off the loan due from the debtor to the creditor instead of making full settlement to such payment in cash to the debtor with the previous interest-free loan remain outstanding;

- the Group may enjoy improvement on the gearing and avoid the cash outflow at maturity of the Promissory Note by setting off the Consideration against the debt under the Promissory Note; and

- the loss in fair value of the Promissory Note is only due to application of accounting policy and is non-cash in nature whereas the Company is indeed indebted in HK$200 million to the Creditor under the Promissory Note.

In light of the above, the Directors consider the settlement arrangement for the Consideration is fair and reasonable and in the interest of the Company.

Upon Completion, the Target Company and the Target Subsidiaries will cease to be subsidiaries of the Company and the results of the Target Company and the Target Subsidiaries will no longer be consolidated into the Group's accounts after Completion. The unaudited total assets and total liabilities of the Group as at 30 June 2010 were approximately HK$1,981.60 million and HK$1,508.49 million respectively. According to the unaudited pro forma financial information of the Remaining Group as if the Disposal had been completed on 30 June 2010 as set out in Appendix III of the circular, the unaudited total assets and total liabilities of the Remaining Group would be approximately HK$1,173.79 million and HK$691.90 million respectively and the estimated gain arising from the Disposal would be approximately HK$8.77 million. Further details of the financial effect has been set out in the unaudited pro forma financial information of the Remaining Group in Appendix III of the circular.

FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

After the Completion, the Remaining Group will continue its supply chain business in a trading mode, with the benefits of more efficient in terms of resources allocation and less capital intensive.

In addition, the business of waste-to-energy acquired around the end of year 2009 has been contributing to the revenue of the Remaining Group and such contribution is expected to grow in an extended period in the future. The waste-to-energy business has three main cash income sources, namely waste treatment fee, electricity tariff and service fee on engineering, procurement and consultancy.

Waste treatment fee is receivable from local governments of the area whom the Group's waste treatment plants serve for reducing the size of municipal solid waste, facilitating recycle and reuse of some components of the waste, and transforming the waste into less harzardous residues. Electricity tariff is receivable from state grid for generating electricity, as a form of recycling waste. Both of these cash income sources, namely the local government and state grid, are expected to be more reliable than normal commercial clients and, due to two of the Group's plants are at a stage of construction close to trial run and will become in operation together with the existing one, the income from these sources will increase substantially in the near future.

Both of the above cash income sources are generated from waste-to-energy projects which require large initial capital investment; on the other hands, both cash incomes are relatively stable and predictable and the projects are therefore relatively easier getting bank finance. As a result, waste-to-energy business is expected to operate with a high gearing.

The business division specialised in the provision of engineering, procurement and consultancy service providing their service not only to projects of the Group but also those of outsiders. If the trial run of the Group's project in Beijing is proved to be a successful one, the division's business from outsiders is expected to grow.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under the Listing Rules. As Mr. Ngok, being the ultimate beneficial owner of the Purchaser and the Creditor, is a Director and hence a connected person of the Company, the Disposal also constitutes a connected transaction for the Company under the Listing Rules. Accordingly, the Disposal is subject to the approval by the Independent Shareholders at the EGM by way of poll. The EGM will be convened by the Company at which resolution(s) will be proposed to the Independent Shareholders to consider and, if thought appropriate, to approve the Agreement and the transactions contemplated thereunder. Mr. Ngok, the Purchaser and the Creditor and their respective associates in aggregate interested in 76,594,205 Shares, representing approximately 7.68% of the total issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

There is no change in controlling Shareholder in the past 24 months from the date of the Agreement.

Save for the Previous Approach, the Framework Agreement and the Agreement, the Company (i) neither has current intention nor has currently engaged in discussions on any material acquisition or disposal of the Group's business or assets; and (ii) has not identified any investment target as at the Latest Practicable Date.

The Group's working capital position and liquidity have been significantly strengthened with the Earnest Money and the net proceeds in the total of approximately HK$315.4 million from the issue of convertible bonds and new Shares (as announced by the Company on 29 January 2010 and 13 April 2010) and placement of new Shares (as announced by the Company on 1 April and 14 April 2010) in April 2010.

Mr. Ngok abstained from voting on the board resolution approving the Agreement.

EGM

Set out on pages 68 to 69 of this circular is a notice convening the EGM to be held at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 18 October 2010 at 11:00 a.m., at which an ordinary resolution will be proposed and, if thought fit, passed by the Independent Shareholders by way of poll to approve the Agreement and the transactions contemplated thereunder.

A form of proxy for use by the Independent Shareholders at 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 proxy form 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 adjourned meeting should you so wish.

RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders as set out on page 20 of this circular and the letter from Guangdong Securities to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 31 of this circular in respect of the Agreement. The Independent Board Committee, having taking into account the advice from Guangdong Securities, considers that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Disposal is in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Please refer to the additional information as set out in the appendices to this circular.

By order of the Board of
New Environmental Energy Holdings Limited
Ngok Yan Yu
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: 03989)

24 September 2010

To the Independent Shareholders

Dear Sir and Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF FULL CHARM HOLDINGS LIMITED

We have been appointed as members of the Independent Board Committee to advise you in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the circular of the Company dated 24 September 2010 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Guangdong Securities as set out on pages 21 to 31 of the Circular, which contains its advice and recommendation to us as to whether the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Independent Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation. We also wish to draw your attention to the "Letter from the Board" as set out on pages 5 to 19 of the Circular.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion, advice and recommendation of Guangdong Securities all as set out in its aforementioned letter of advice, we are of the opinion that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Disposal is in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee
Mr. Lo Ming Chi, Charles   Mr. Pao Ping Wing   Mr. Kwan Hung Sang, Francis   Mr. Cheng Kai Tai, Allen
Independent non-executive Directors

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this circular.

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505–06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

24 September 2010

To: The independent board committee and the independent shareholders of New Environmental Energy Holdings Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF FULL CHARM HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 24 September 2010 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 July 2010, the Board announced that the Company, the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Creditor entered into the Agreement on 8 June 2010. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK$450 million. The Sale Shares represent the entire issued share capital of the Target Company as at Completion.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company under Chapter 14A of the Listing Rules. The Disposal is therefore subject to the approval by the Independent Shareholders at the EGM by way of poll. Mr. Ngok, the Purchaser and the Creditor and their respective associates, which in aggregate were interested in 76,594,205 Shares, representing approximately 7.68% of the entire issued share capital of the Company as at the Latest Practicable Date, will abstain from voting on the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM.

An Independent Board Committee comprising Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Mr. Ngok, the Purchaser, the Vendor, the Creditor and the Target Company or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Disposal. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

(1) Background of the Disposal

Information on the Group

As referred to in the Board Letter, the principal activities of the Company and its subsidiaries are the manufacture and sales of apparel and accessories, and technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment, especially waste-to-energy projects.

According to the Company's interim results announcement for the six months ended 30 June 2010 (the "**Interim Results Announcement**") and as further confirmed by the Directors, the Group has completed the acquisition of the waste-to-energy business during the year ended 31 December 2009. The Directors expected that the waste-to-energy market in the PRC will continue to experience immense growth and dominate the public agenda of the country and the Company will strive to become one of the leaders in the industry and create long term value for the Shareholders.

Information on the Target Company

As extracted from the Board Letter, the Target Company is a wholly-owned subsidiary of the Vendor which in turn is wholly owned by the Company. The Target Company is an investment holding company and upon completion of the Reorganisation, the Target Company will be the holding company of Newco and the Target Subsidiaries. Details of the Reorganisation are set out in the section headed "Reorganisation" of the Board Letter. Members of the Target Group are principally engaged in investment holdings and trading, manufacturing and sales of apparel and accessories or dormant companies as at the Latest Practicable Date.

Tabularised below is a summary of the unaudited combined financial information on the Target Group for the two financial years ended 31 December 2009 and the six months ended 30 June 2010 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the financial year ended 31 December 2008	**For the financial year ended 31 December 2009**	**For the six months ended 30 June 2010**
	HK$ million	*HK$ million*	*HK$ million*
Profit/(Loss) before taxation from continuing operations	46.08	(229.77)	(92.27)
Profit/(Loss) for the year/period from continuing operations	34.88	(229.14)	(95.66)
Profit/(Loss) for the year/period from discontinued operation	(20.40)	(63.89)	—
Profit/(Loss) for the year/period	14.48	(293.02)	(95.66)

	As at 30 June 2010
	HK$ million
Net assets	220.23

We noted from the above table that the Target Group turned to be loss making with a combined loss after taxation of approximately HK$293.02 million for the financial year ended 31 December 2009 as compared with a combined profit after taxation of approximately HK$14.48 million for the financial year ended 31 December 2008. We noted that the Target Group continued to be loss making for the six months ended 30 June 2010. As advised by the Directors, the continued loss making position of the Target Group was mainly caused by (i) the drop in sale orders received; (ii) the continuous appreciation of Renminbi; and (iii) certain provisions and impairments made by the Target Subsidiaries.

Reasons for the Disposal

With reference to the Board Letter, due to the general tightening credit policy of banks following the 2008 financial crisis, the Group faced the problem of having trade facilities available from certain bankers reduced or even withdrawn after repayment. Bank facilities which were provided based on the letters of credit from customers could no longer cover the required funds for the Company to purchase manufacturing materials and fabrics.

As advised by the Directors, in order to reduce the reliance of the Group's apparel business on bank borrowings, the Group began to look for alternative funding and explored the possibility of investment in the Vendor by Mr. Ngok. With this background, the Company entered into the MOU with Mr. Ngok on 24 December 2009. Under the MOU, the parties agreed to negotiate for a possible investment in the Vendor and the Purchaser paid HK$250 million to the Company as upfront earnest monies.

The Directors confirmed that from December 2009 to March 2010, three bankers of the Company cancelled their trade facilities (which amounted to a total of approximately HK$230 million) supporting the garment business of the Group. The banks informally advised the Company that their withdrawal was mainly due to the losses incurred in the first half of 2009 and the second half of 2009 and the worsening of the European market which the Group's customers primarily resides. Thereafter, only approximately HK$50 million of trade facilities remained available to the Group. This drove the Company to come up with the proposal of restructuring the business model of its apparel business from a manufacturing-and-trading mode to a trading mode in April 2010, such that the garment business could enjoy the comparative advantage of being less reliant on the banking facilities in supporting the working capital, for example, letters of credit may be transferred to the suppliers to reduce the Group's working capital requirement. The Company began to negotiate with Mr. Ngok for the possible Disposal based on this direction in late April of 2010.

Upon our further enquiries, we were advised that during this period, the Company had been approached by various independent potential investors or purchasers which had shown interests in some of the subsidiaries of the Company. However, the offers of such potential investors/purchasers were pre-matured and at a consideration which was lower than the net asset value of the proposed targets and hence were not favourable to the Group and the Company and such potential investors/purchasers were unable to reach a consensus on the major terms of the potential transactions in the discussions and therefore, no such transactions were materialised.

According to the Board Letter, the then worsening economy in Europe also drove the Company to speed up the implementation of the Group's restructure of its apparel business and after further discussion and negotiation with Mr. Ngok, the Company, the Vendor, the Purchaser and the Creditor entered into the Agreement on 8 June 2010.

As advised by the Directors, the Disposal represents a corporate act to implement the restructure of the Company's existing apparel business from a manufacturing-and-trading mode to a trading mode so as to enjoy the following comparative advantages of the latter:

- no longer necessary for the Remaining Group to fulfill the fixed production capacity in its own PRC factories after the Disposal, the Remaining Group can flexibly source in the PRC or other Asian countries which have a lower production cost;

- with less fixed costs after the Disposal, the breakeven point has been significantly lower and the Group has less pressure to recover the fixed costs, which allow the Group to focus on the profitability instead of turnover;

— less reliant on the banking facilities as substantially less fixed cost is required and letters of credit may be transferred to the suppliers; and

— with a stronger financial status of the Remaining Group, sourcing can be secured by placing deposit or offering more flexible payment terms to the suppliers which is not required before the crisis. Moreover, more flexible payment terms can be offered to the branded customers.

Furthermore, the Directors advised us that there is huge production capacity available in the market currently and the Company can source flexibly in the PRC or other South-East Asian countries despite the production capacity would cease to be secured as a result of the Disposal. The Directors also advised us that the price maybe higher or lower depending on the market conditions and the places of manufacturing; nevertheless, the price can be shifted to be borne by the customers of the Group.

The Directors also expected that the Disposal will allow the Group to dispose of the loss-making segment of the apparel business to improve the profit margin and to relieve the Group from the burden of making further capital injection to such segment and hence improve the overall financial position of the Group. Accordingly, the Directors consider the Disposal as a proactive remedy for the Group to improve and strengthen the operation and the financial performance of the Group by streamlining the apparel business into a trading mode which carries less fixed cost and provides a higher flexibility on cost-control to the Company, such that the Group will be in a better position to continue the apparel business after its restructure into a trading mode under the current macroeconomic environment.

In light of the above reasons and benefits for the Disposal as well as the Company's strategy of restructuring the business model of its apparel business from a manufacturing-and-trading mode to a trading mode, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole.

(2) Principal terms of the Agreement

The Agreement

The Agreement was entered into among the Company, the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Creditor on 8 June 2010. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK$450 million, among which HK$200 million will be settled by the Purchaser procuring the Creditor to waive all its rights in the Promissory Note by surrendering the Promissory Note to the Vendor for cancellation at Completion; and HK$250 million will be settled by the Purchaser applying the Earnest Money.

Basis of the Consideration

As advised by the Directors, the payment of approximately HK$134 million out of the Consideration of HK$450 million represents the settlement of the debt to the Remaining Group of the same amount due from the Target Subsidiaries to the Remaining Group. Such debt represent the loans and advancement of various holding companies of the Target Subsidiaries and their trade debts within the Group. The Consideration was agreed between the Company and the Purchaser after arm's length negotiations with reference to, among other things, the aggregate net asset values of the Target Subsidiaries of approximately HK$315 million as at 31 December 2009 and the aggregate net debts due from the Target Subsidiaries to the Remaining Group of approximately HK$134 million as at 31 December 2009 as extracted from the unaudited management accounts of the Target Subsidiaries.

Trading multiples analysis for the Disposal

In order to assess the fairness and reasonableness of the Consideration, we have performed a trading multiples analysis which includes the price to book ratio ("**PBR**") analysis. Although common means of the price comparable analyses include also the price to earnings ("**PER**") ratio, due to the fact that the Target Subsidiaries recorded losses for the financial year ended 31 December 2009 and the six months ended 30 June 2010, we consider the PER analysis to be inapplicable.

To perform the PBR analysis, we have searched for companies listed on the Stock Exchange engaging in similar lines of business as the Target Subsidiaries, i.e. trading, manufacturing and sales of apparel and accessories (the "**Market Comparables**") for comparison. We have also excluded companies which recorded net liabilities as per the relevant published financial information. However, as none of the Market Comparables recorded net liabilities as per their latest published financial information, we have not excluded any Market Comparables. To the best of our knowledge and endeavor, we identified 13 companies which met the said criteria and we consider such Market Comparables to be exhaustive based on the criteria. It should be noted that the businesses, operations and prospects of the Target Subsidiaries are not exactly the same as the Market Comparables, and we have not conducted any in-depth investigation into the businesses and operations of the Market Comparables. The Market Comparables may or may not serve as direct comparables to the Target Subsidiaries.

Set out below are the implied PBRs of the Market Comparables based on their closing prices as at 8 June 2010, being the date of the Agreement, and their latest published financial information:

Company name (Stock code)	**Principal business**	**Year end date**	**Market capitalisation as at 8 June 2010** *(HK$ million)*	**PBR** *(times)*
Yangtzekiang Garment Limited (294)	Manufacture and sale of garments and textiles, the provision of processing services and the rental of properties.	31/03/2010	311.35	0.32

Company name (Stock code)	Principal business	Year end date	Market capitalisation as at 8 June 2010 *(HK$ million)*	PBR *(times)*
Luen Thai Holdings Limited (311)	Manufacturing and trading of garment, textile products and accessories and the provision of freight forwarding and logistics services.	31/12/2009	764.35	0.36 *(Note 2)*
YGM Trading Limited (375)	Sale of garments, property rental & trading, printing and related services, and royalty income in HK.	31/03/2010	1,273.73	1.35
Tristate Holdings Limited (458)	Garment manufacturing, garment trading and branded product distribution.	31/12/2009	507.91	0.51 *(Note 2)*
Tungtex (Holdings) Company Limited (518)	Manufacture & sale of garments.	31/03/2010	562.77	1.02
High Fashion International Limited (608)	Manufacture, trading and retailing of garments.	31/12/2009	848.09	0.51 *(Note 2)*
Carry Wealth Holdings Limited (643)	Manufactures and trades garment products.	31/12/2009	156.19	0.59 *(Note 2)*
China Lilang Limited (1234)	Design, source, manufacture and sell high-quality business and casual apparel for men.	31/12/2009	9,936.00	5.26 *(Note 2)*
Eagle Nice (International) Holdings Limited (2368)	Manufacture and trading of sportswear and garments.	31/03/2010	1,484.05	1.66
Win Hanverky Holdings Limited (3322)	Manufacturing, distribution and retailing of garment products, including sportswear and related accessories.	31/12/2009	1,433.29	0.66 *(Note 2)*
China Ting Group Holdings Limited (3398)	Garment manufacturing for export and retailing branded fashion apparel in China.	31/12/2009	2,535.83	1.00 *(Note 2)*

Company name (Stock code)	**Principal business**	**Year end date**	**Market capitalisation as at 8 June 2010** *(HK$ million)*	**PBR** *(times)*
New Environmental Energy Holdings Limited (3989)	Manufacture and sales of apparel and accessories, and technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment, especially waste-to-energy projects.	31/12/2009	705.05 *(Note 1)*	1.49 *(Note 1 and 2)*
Jiangchen International Holdings Limited (8305)	Manufacturing and wholesaling of apparels on an OEM basis.	31/12/2009	240.50	3.09 *(Note 2)*
Maximum				5.26
Minimum				0.32
Median				1.00
The Consideration (based on the unaudited aggregate net asset values of the Target Subsidiaries as at 31 December 2009)				**1.02**
The Consideration (based on the unaudited aggregate net asset values of the Target Subsidiaries as at 30 June 2010)				**1.43**

Source: the Stock Exchange website (www.hkex.com.hk)

Notes:

1. The trading in the Shares was suspended on 8 June 2010. Therefore, the closing price of the Shares on 7 June 2010 was used to calculate the market capitalisation and the PBR.

2. The PBRs for the selected companies were calculated based on their latest published interim results announcements/reports.

As depicted by the above table, the implied PBRs of the Market Comparables ranged from approximately 0.32 times to 5.26 times, with median of approximately 1.00 times.

Given that the unaudited aggregate net asset values of the Target Subsidiaries as at 31 December 2009 was approximately HK$310.79 million, the implied PBR of "the Consideration less the aggregate net debts due from the Target Subsidiaries to the Remaining Group as at 31 December 2009" is approximately 1.02 times, which falls within the PBR range of the Market Comparables and is slightly higher than the median of the PBR range of the Market Comparables.

Given that the unaudited aggregate net asset values of the Target Subsidiaries as at 30 June 2010 was approximately HK$220.23 million, the implied PBR of "the Consideration less the aggregate net debts due from the Target Subsidiaries to the Remaining Group as at 31 December 2009" is approximately 1.43 times, which falls within the PBR range of the Market Comparables and is higher than the median of the PBR range of the Market Comparables.

In view of the basis of the Consideration and the results of our trading multiples analysis as set forth above, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Agreement

We have also reviewed the other major terms of the Agreement and are not aware of any terms which are uncommon. Consequently, we are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Possible financial effects of the Disposal

According to the Board Letter, the Target Company and the Target Subsidiaries will cease to be subsidiaries of the Company and the results of the Target Company and the Target Subsidiaries will no longer be consolidated into the Group's accounts after Completion.

Effect on net asset value and gearing

As extracted from the Interim Results Announcement, the unaudited condensed consolidated net asset value of the Group was approximately HK$473.12 million as at 30 June 2010. Based on the unaudited pro forma financial information of the Remaining Group as contained in Appendix III to the Circular, the consolidated net asset value of the Remaining Group as at 30 June 2010 would increase to approximately HK$481.89 million (as if the Disposal had been completed on 30 June 2010).

As extracted from the annual report of the Company for the year ended 31 December 2009, the Group's gearing ratio (calculated on the basis of total bank borrowings (net of cash and bank balances) over the Group's total shareholders' equity) was approximately 17% as at 31 December 2009. According to the Interim Results Announcement, the net gearing ratio has not been calculated as at 30 June 2010 as cash and cash equivalent exceeded total bank borrowings as at 30 June 2010. From the unaudited pro forma financial information of the Remaining Group as contained in Appendix III to the Circular, the Remaining Group's cash and cash equivalent would continue to exceed total bank borrowings as at 30 June 2010 (as if the Disposal had been completed on 30 June 2010).

Effect on working capital

According to the Board Letter, given that HK$200 million of the Consideration will be settled against the Promissory Note, the gross proceeds from the Disposal will be HK$250 million, being the Earnest Money which has already been received in December 2009, and the Company estimates that the net proceeds from the Disposal is approximately HK$246 million. The entire net proceeds has been utilised as to approximately HK$180 million for the settlement of bank loans and the remaining proceeds will be utilised for working capital of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 December 2009 and for the six months ended 30 June 2010 have been set out in the Company's annual reports 2008 and 2009 and the Company's announcement dated 30 August 2010 in respect of the unaudited interim results for the six months ended 30 June 2010 respectively.

2. INDEBTEDNESS STATEMENT

At the close of business on 31 July 2010, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$342.9 million which comprised secured bank borrowings of approximately HK$188.9 million, unsecured bank borrowings of approximately HK$153.2 million and obligations under finance leases of approximately HK$0.8 million. The secured bank borrowings were secured by the pledge of the Group's bank deposits of approximately HK$22.9 million, prepaid lease payments of approximately HK$31.8 million and property, plant and equipment of approximately HK$156.1 million.

At the close of business on 31 July 2010, being the latest practicable date for ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following outstanding debt instruments:

(1) Zero coupon convertible bonds in the principal amount of HK$156.0 million. The convertible bonds can be converted into shares of the Company at HK$2.50 per Share (subject to adjustment) at any time before the maturity date or shares of a subsidiary of the Company, Smartview Investment Holdings Limited at HK$271,000 per share, subject to terms and conditions of the convertible bonds;

(2) Convertible notes with principal amounts of HK$429.6 million; and

(3) Three promissory notes with principal amounts of HK$80.5 million issued to Bright Good Limited and HK$55.0 million and HK$200.0 million issued to Bright King Investments Limited ("Bright King"), respectively.

In addition, in connection with the contingent consideration for the acquisition of Smartview Investment Holdings Limited ("Smartview") during the year ended 31 December 2009, the Group is required to issue a performance based promissory note with principal amount of HK$144.0 million (subject to adjustment) depending on the performance of Smartview for the year ending 31 December 2010 to Bright King.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any bank borrowings, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgage, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 July 2010.

3. WORKING CAPITAL

The Directors are of the opinion that, based on the financial resources available to the Group, including internally generated funds and the banking facilities, the Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGES

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 2009, the date to which the last published audited financial statements of the Group were made up.

5. MANAGEMENT DISCUSSION AND ANALYSES OF THE REMAINING GROUP

Business and Financial Review for the year ended 31 December 2007

Overview

During the year under review, the Remaining Group's revenue was approximately HK$396.8 million, representing an increase of approximately 3.7%, as compared to last year, which accounted for approximately 38.3% of the Group's revenue in the financial year 2007.

The Remaining Group's gross profit decreased from 11.9% as of last year to 8.1% for the year under review.

Finance Costs

Finance costs increased by 68.9% to HK$25.7 million, as compared to last year. This substantial increase is mainly attributable to increases in the amounts of bank borrowings.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2007, the Remaining Group had cash and cash balances of HK$65.8 million, primarily denominated in HK dollars (31 December 2006: HK$52.0 million), and total bank borrowings of HK$391.4 (31 December 2006: HK$254.5 million), of which 63.5% constitute short-term bank borrowings and 36.5% long-term bank borrowings. The Remaining Group's bank borrowings were primarily denominated in HK dollars and US dollars. As at 31 December 2007, 93.0%, and 7.0% of the Remaining Group's total bank borrowings were denominated in HK dollars and US dollars, respectively. All of the bank borrowings were subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and bank balances) over the Remaining Group's total shareholders' equity, was increased from 0.87 as at 31 December 2006 to 1.06 as at 31 December 2007. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from 1.56 as at 31 December 2006 to 1.91 as at 31 December 2007.

Foreign Exchange Exposure

The Remaining Group's sales were mostly denominated in US dollars, while the purchase and operating expenses were mostly denominated in US dollars and HK dollars. The Remaining Group's exposure to US dollars fluctuation is limited because of the linked exchange rate between US dollars and HK dollars.

During the year, the Remaining Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Charges on Assets

As at 31 December 2007, the Remaining Group's bank deposits of HK$35.1 million and available for sale investments of HK$6.0 million, were pledged to secure general banking facilities and bank borrowings granted to the Remaining Group.

Capital Commitment

As at 31 December 2007, the Remaining Group had no material capital commitment.

Contingent Liabilities

As at 31 December 2007, the Remaining Group had no material contingent liabilities.

Employment Information

As at 31 December 2007, the Remaining Group had about 30 employees in total, stationed mainly in the PRC and Hong Kong. The Remaining Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on salary trends prevailing in the aforesaid regions.

In addition, the Remaining Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

Business and Financial Review for the year ended 31 December 2008

Overview

During the year under review, the Remaining Group's revenue was approximately HK$343.1 million, representing a decrease of approximately 13.5%, as compared to last year, which accounted for approximately 25.3% of the Group's revenue in the financial year 2008.

The Remaining Group's gross profit increased from 8.1% as of last year to 20.2% for the year under review.

Finance Costs

Finance costs decreased by 18.5% to HK$20.9 million, as compared to last year. This substantial decrease is mainly attributable to decreases in the amounts of bank borrowings.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2008, the Remaining Group had cash and cash balances of HK$29.4 million, primarily denominated in HK dollars (31 December 2007: HK$65.8 million), and total bank borrowings of HK$246.4 (31 December 2007: HK$391.4 million), of which 99.8% constitute short-term bank borrowings and 0.2% long-term bank borrowings. The Remaining Group's bank borrowings were primarily denominated in HK dollars and US dollars. As at 31 December 2008, 82.2% and 17.8% of the Remaining Group's total bank borrowings were denominated in HK dollars and US dollars, respectively. All of the bank borrowings were subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and bank balances) over the Remaining Group's total shareholders' equity, decreased from 1.06 as at 31 December 2007 to 0.80 as at 31 December 2008. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.91 as at 31 December 2007 to 1.14 as at 31 December 2008.

Foreign Exchange Exposure

The Remaining Group's sales were mostly denominated in US dollars, while the purchase and operating expenses were mostly denominated in US dollars and HK dollars. The Remaining Group's exposure to US dollars fluctuation is limited because of the linked exchange rate between US dollars and HK dollars.

During the year, the Remaining Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Charges on Assets

As at 31 December 2008, the Remaining Group's bank deposits of HK$25.3 million, financial assets at fair value through profit or loss of HK$6.0 million and available for sale investments of HK$2.8 million, were pledged to secure general banking facilities and bank borrowings granted to the Remaining Group.

Capital Commitment

As at 31 December 2008, the Remaining Group had no material capital commitment.

Contingent Liabilities

As at 31 December 2008, the Remaining Group had no material contingent liabilities.

Employment Information

As at 31 December 2008, the Remaining Group had about 30 employees in total, stationed mainly in the PRC and Hong Kong. The Remaining Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on salary trends prevailing in the aforesaid regions.

In addition, the Remaining Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

Business and Financial Review for the year ended 31 December 2009

Overview

Since the financial crisis in late 2008, the Group's whole supply chain business for apparel and accessories, being combination of both trading and manufacturing segments, has been experienced shrinking margin and significant reduction of banking facilities.

In full awareness of the challenges ahead, the Group remained in the supply chain business of apparel and accessories in a trading mode which had a better margin and required lower fixed cost, capital investments and working capital; while committed to the development and operation of the newly acquired waste-to-energy business.

During the year under review, the Remaining Group's revenue was approximately HK$219.3 million, representing a decrease of approximately 36.1%, as compared to last year, which accounted for approximately 26.7% of the Group's revenue in the financial year 2009. The aforementioned revenue decrease for the year is mainly caused by global recession. The Remaining Group's gross profit increased from 20.2% as of last year to 30.5% for the year under review.

As our supply chain business in trading mode and the waste-to-energy business remain the main pillars behind the Remaining Group's success, the Group will continue to focus its resources and manpower to maximize our competitiveness in these two areas.

Prospect

The net proceeds from the condition disposal of Target Group will enhance the liquidity of the Remaining Group and enable the Remaining Group to, upon Completion, focus on its trading mode apparel business and waste-to-energy business.

The Directors expect that the Remaining Group's trading mode apparel business will continue to provide constant cashflow to the Group while waste-to-energy business will continue to experience immense growth.

Finance Costs

Finance costs decreased by 14.5% to HK$17.9 million, as compared to year 2008. This substantial decrease is mainly attributable to decreases in the amounts of bank borrowings and the applicable interest rates of the Remaining Group.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2009, the Remaining Group had cash and cash balances of HK$46.1 million, primarily denominated in RMB and HK dollars (31 December 2008: HK$29.4 million), and total bank borrowings of HK$118.4 (31 December 2008: HK$246.4 million), of which 85.6% constitute short-term bank borrowings and 14.4% long-term bank borrowings. The Remaining Group's bank borrowings was primarily denominated in RMB, HK dollars and US dollars. As at 31 December 2009, 28.8%, 39.4%, and 31.8% of the Remaining Group's total bank borrowings were denominated in RMB, HK dollars and US dollars, respectively, with 19.4% of the total bank borrowing subject to fixed interest rates and 80.6% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and bank balances) over the Remaining Group's total shareholders' equity, was 0.8 as at 31 December 2008 and was 0.16 as at 31 December 2009. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.14 as at 31 December 2008 to 0.84 as at 31 December 2009.

Foreign Exchange Exposure

The Remaining Group's sales were mostly denominated in US dollars and RMB, while the purchase and operating expenses were mostly denominated in RMB and HK dollars. The Remaining Group's exposure to RMB and US dollars fluctuation is balanced by RMB receipt from its PRC supply chain and distribution and retail sales and US dollar receipt from its supply chain related export sales. To minimize possible foreign currency fluctuation, related loss and maximize possible RMB appreciation profit, the Remaining Group adopts stringent internal hedging policies, which, during the year, had the strategy of holding the Remaining Group's majority monetary assets in RMB. During the year, the Remaining Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Thus, the Remaining Group will continue to be exposed to foreign currency exchange risks, although material currency fluctuation related operational impact is not anticipated to take place in future.

Charges on Assets

As at 31 December 2009, the Remaining Group's bank deposits of HK$6.7 million, financial assets at fair value through profit or loss of HK$6.4 million and property, plant and equipments of HK$22.5 million, were pledged to secure general banking facilities and bank borrowings granted to the Remaining Group.

Capital Commitment

As at 31 December 2009, the Remaining Group had capital expenditure of HK$58.2 million not provided in the financial statements in respect of acquisition of construction infrastructure in service concession arrangement.

Contingent Liabilities

As at 31 December 2009, the Remaining Group had no material contingent liabilities.

Employment Information

As at 31 December 2009, the Remaining Group had about 140 employees in total, stationed mainly in the PRC and Hong Kong. The Remaining Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on salary trends prevailing in the aforesaid regions.

In addition, the Remaining Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

Business and Financial Review for the six months period ended 30 June 2010

Overview

During the period under review, the Remaining Group's revenue was approximately HK$64.8 million, representing a decrease of approximately 35.5%, as compared to the same period in last year, which accounted for approximately 17.6% of the Group's revenue in the first half of financial year 2010.

The Remaining Group's gross profit decreased from 31.8% as of the same period in last year to 24.2% for the period under review.

Finance Costs

The finance costs increased by 454.6% to HK$39.3 million, as compared to the same period in last year. This increase is mainly due to the effective interest expenses on the convertible notes and promissory notes, which issuance was made in December 2009.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Remaining Group had cash and cash balances of HK$239.4 million, primarily denominated in RMB and HK dollars (30 June 2009: HK$19.6 million), and total bank borrowings of HK$126.9 (30 Jun 2009: HK$236.7 million), of which constitute short-term bank borrowings. The Remaining Group's bank borrowings were primarily denominated in HK dollars and RMB. As at 30 June 2010, 77.4% and 22.6% of the Remaining Group's total bank borrowings were denominated in HK dollars and RMB dollars, respectively, with 77.4% of the total bank borrowing subject to fixed interest rates and 22.6% subject to floating interest rates.

Net gearing ratio has not been calculated as at 30 June 2010 as the cash and cash equivalent of the Remaining Group exceeded total bank borrowings as at 30 June 2010. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from 1.25 as at 30 June 2009 to 1.38 as at 30 June 2010.

Foreign Exchange Exposure

The majority of the Remaining Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Remaining Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Remaining Group's operations. The Remaining Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

Charges on Assets

As at 30 June 2010, the Remaining Group's bank deposits of HK$3.4 million and property, plant and equipments of HK$25.3 million, were pledged to secure general banking facilities and bank borrowings granted to the Remaining Group.

Capital Commitment

As at 30 June 2010, the Remaining Group had capital expenditure of HK$467.4 million in respect of acquisition of property, plant and equipments and construction infrastructure in service concession arrangement not provided in the financial statements.

Contingent Liabilities

As at 30 June 2010, the Remaining Group had no material contingent liabilities.

Employment Information

As at 30 June 2010, the Remaining Group had about 140 employees in total, stationed mainly in the PRC and Hong Kong. The Remaining Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on salary trends prevailing in the aforesaid regions.

In addition, the Remaining Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

1. FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is unaudited combined financial information of the Disposal Subsidiaries (defined in note 1) for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Financial Information of the Target Group"), which has been prepared in accordance paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("LR 14.68(2)(a)(i)") and the basis set out in note 2 to the Financial Information of the Target Group. The auditor of the Company has reviewed the Financial Information of the Target Group in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and concluded that nothing has come to their attention that causes them to believe that the Financial Information of Disposal Subsidiaries is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the consolidated financial statements of the Group for the three years ended 31 December 2009 and the six months ended 30 June 2010 and the basis set out in note 2 to Financial Information of the Target Group.

UNAUDITED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2009 and 2010

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Revenue	756,097	941,675	622,620	429,269	305,429
Cost of sales	(515,011)	(779,411)	(660,552)	(387,508)	(307,422)
Gross profit (loss)	241,086	162,264	(37,932)	41,761	(1,993)
Other income, gains and losses	10,132	11,864	(19,902)	1,004	(2,734)
Administrative expenses	(51,175)	(76,766)	(56,012)	(30,527)	(19,113)
Distribution and selling expenses	(20,758)	(31,269)	(22,655)	(12,385)	(9,303)
Gain on disposal of a business	—	—	7,787	—	—
Loss on disposal of a subsidiary	—	—	(2,780)	—	—
Loss on disposal of a jointly controlled entity	—	—	(2,242)	(2,242)	—
Discount on acquisition of additional interest in a subsidiary	—	4,922	—	—	—
Impairment loss of property, plant and equipment	—	—	(77,826)	(77,826)	(56,000)
Gain from a bargain purchase on acquisition of a subsidiary	—	—	—	—	2,020
Finance costs	(13,900)	(24,931)	(18,204)	(9,495)	(5,142)
Profit (loss) before tax	165,385	46,084	(229,766)	(89,710)	(92,265)
Income tax (expense) credit	(16,090)	(11,206)	629	(2,322)	(3,399)

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit (loss) for the year/period from continuing operations	149,295	34,878	(229,137)	(92,032)	(95,664)
Discontinued operation					
Profit (loss) for the year/period from discontinued operation	18,496	(20,398)	(63,886)	(43,326)	—
Profit (loss) for the year/period	167,791	14,480	(293,023)	(135,358)	(95,664)
Other comprehensive income (expense)					
Exchange differences arising on translation	27,398	33,754	(28,046)	(13,026)	5,112
Total comprehensive income (expense) for the year/period	195,189	48,234	(321,069)	(148,384)	(90,552)
Profit (loss) for the year/period attributable to:					
Owners of the Company	167,441	12,777	(293,023)	(135,358)	(95,664)
Non-controlling interests	350	1,703	—	—	—
	167,791	14,480	(293,023)	(135,358)	(95,664)
Total comprehensive income (expense) attributable to:					
Owners of the Company	194,274	46,416	(321,069)	(148,384)	(90,552)
Non-controlling interests	915	1,818	—	—	—
	195,189	48,234	(321,069)	(148,384)	(90,552)

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2007, 2008 and 2009 and 30 June 2010

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	219,304	314,132	159,450	148,500
Prepaid lease payments	64,911	66,044	63,672	63,937
Investment property	71,505	29,885	—	—
Intangible assets	10,186	12,177	—	—
Goodwill	20,800	—	—	—
Loan to jointly controlled entity	5,168	—	—	—
Available-for-sale investments	—	575	—	—
Deferred tax assets	287	626	—	—
	392,161	423,439	223,122	212,437
Current assets				
Inventories	178,559	287,756	206,670	106,504
Trade receivables	176,580	344,425	120,216	233,682
Deposits, prepayments and other receivables	86,966	26,475	41,045	85,420
Prepaid lease payments	1,389	1,497	1,479	1,495
Available-for-sale investments	—	230	511	551
Amount due from a related company	146,744	88,107	45,808	61,706
Loans to jointly controlled entities	8,273	—	—	—
Amount due from a non-controlling shareholder	6,689	—	—	—
Amounts due from jointly controlled entities	6,609	3,500	—	—
Amount due from a former jointly controlled entity	—	732	405	—
Amounts due from fellow subsidiaries	—	17,389	—	10,211
Pledged bank deposits	9,006	12,334	—	22,962
Bank deposits with original maturity of more than three months	313,767	218,391	96,536	34,952
Bank balances and cash	79,510	42,502	85,881	57,703
	1,014,092	1,043,338	598,551	615,186
Assets classified as held for sale	41,530	25,380	—	—
	1,055,622	1,068,718	598,551	615,186

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Trade payables	105,421	122,101	48,834	29,115
Other payables and accruals	78,348	65,965	74,319	180,286
Amount due to former non-controlling shareholder	—	4,500	4,500	4,500
Amounts due to related companies	47,787	—	—	—
Amounts due to fellow subsidiaries	57,695	—	5,528	—
Amount due to ultimate holding company	101	615	775	2,725
Amount due to intermediate holding company	221,599	253,153	148,972	151,082
Loans from joint venturers of jointly controlled entities	13,441	—	—	—
Amounts due to joint venturers of jointly controlled entities	17,097	9,155	10,582	—
Amounts due to jointly controlled entities	5,812	20,962	—	—
Obligations under finance leases — due within one year	12	12	—	—
Bank overdraft	607	8,586	—	—
Bank borrowings — due within one year	176,549	115,460	25,378	23,258
Taxation payable	25,472	32,304	25,724	16,683
	749,941	632,813	344,612	407,649
Liabilities associated with assets classified as held for sale	13,080	25,113	—	—
	763,021	657,926	344,612	407,649
Net current assets	292,601	410,792	253,939	207,537
Total assets less current liabilities	684,762	834,231	477,061	419,974
Non-current liabilities				
Bank borrowings — due after one year	114,288	206,207	164,509	197,623
Obligations under finance leases — due after one year	29	18	—	—
Convertible redeemable preference shares	68,071	79,292	—	—
Conversion option derivative liability	22,022	2,149	—	—
Deferred tax liabilities	3,411	6,492	1,767	2,118
	207,821	294,158	166,276	199,741
	476,941	540,073	310,785	220,233
Capital and reserves				
Issued capital	184,814	208,016	299,797	299,797
Reserves	284,523	332,057	10,988	(79,564)
Equity attributable to owners of the Company	469,337	540,073	310,785	220,233
Non-controlling interests	7,604	—	—	—
	476,941	540,073	310,785	220,233

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2009 and 2010

	Attributable to owners of the Disposal Subsidiaries									
	Issued capital *HK$'000* *(Note a)*	Capital contribution *HK$'000* *(Note b)*	Enterprise expansion reserve *HK$'000* *(Note c)*	Statutory reserve *HK$'000* *(Note d)*	Translation reserve *HK$'000*	Step acquisition revaluation reserve *HK$'000*	Accumulated profits (loss)) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2007	145,250	402	2,015	7,460	11,099	—	100,054	266,280	—	266,280
Profit for the year	—	—	—	—	—	—	167,441	167,441	350	167,791
Exchange differences arising on translation	—	—	—	—	26,833	—	—	26,833	565	27,398
Total comprehensive income for the year	—	—	—	—	26,833	—	167,441	194,274	915	195,189
Issue of shares	39,564	—	—	—	—	—	—	39,564	—	39,564
Recognition of equity-settled share-based payments	—	457	—	—	—	—	—	457	—	457
Contribution from a non-controlling shareholder	—	—	—	—	—	—	—	—	6,689	6,689
Dividend paid	—	—	—	—	—	—	(31,238)	(31,238)	—	(31,238)
Transfer	—	—	—	3,471	—	—	(3,471)	—	—	—
At 31 December 2007	184,814	859	2,015	10,931	37,932	—	232,786	469,337	7,604	476,941
Profit for the year	—	—	—	—	—	—	12,777	12,777	1,703	14,480
Exchange differences arising on translation	—	—	—	—	33,639	—	—	33,639	115	33,754
Total comprehensive income for the year	—	—	—	—	33,639	—	12,777	46,416	1,818	48,234
Issue of shares	23,202	—	—	—	—	—	—	23,202	—	23,202
Transfer	—	—	—	6,483	—	—	(6,483)	—	—	—
Acquisition of additional interest in a former jointly controlled entity	—	—	—	—	—	1,118	—	1,118	—	1,118
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(9,422)	(9,422)
At 31 December 2008	208,016	859	2,015	17,414	71,571	1,118	239,080	540,073	—	540,073
Loss for the year	—	—	—	—	—	—	(293,023)	(293,023)	—	(293,023)
Exchange differences arising on translation	—	—	—	—	(28,046)	—	—	(28,046)	—	(28,046)
Total comprehensive expense for the year	—	—	—	—	(28,046)	—	(293,023)	(321,069)	—	(321,069)
Issue of shares	91,781	—	—	—	—	—	—	91,781	—	91,781
Disposal of a subsidiary	—	—	—	—	—	(1,118)	1,118	—	—	—
Transfer	—	—	—	1,429	—	—	(1,429)	—	—	—
At 31 December 2009	299,797	859	2,015	18,843	43,525	—	(54,254)	310,785	—	310,785
Loss for the period	—	—	—	—	—	—	(95,664)	(95,664)	—	(95,664)
Exchange differences arising on translation	—	—	—	—	5,112	—	—	5,112	—	5,112
Total comprehensive income (expense) for the period	—	—	—	—	5,112	—	(95,664)	(90,552)	—	(90,552)
At 30 June 2010	299,797	859	2,015	18,843	48,637	—	(149,918)	220,233	—	220,233
At 1 January 2009	208,016	859	2,015	17,414	71,571	1,118	239,080	540,073	—	540,073
Loss for the period	—	—	—	—	—	—	(135,358)	(135,358)	—	(135,358)
Exchange differences arising on translation	—	—	—	—	(13,026)	—	—	(13,026)	—	(13,026)
Total comprehensive expense for the period	—	—	—	—	(13,026)	—	(135,358)	(148,384)	—	(148,384)
At 30 June 2009	208,016	859	2,015	17,414	58,545	1,118	103,722	391,689	—	391,689

Notes:

(a) Issued capital represents combined share capital of the Disposal Subsidiaries as defined in note 1.

(b) The capital contribution represents share options granted to certain directors of the Disposal Subsidiaries by the Company, the ultimate holding company of the Disposal Subsidiaries, the Disposal Subsidiaries therefore recognised as capital contribution from the Company.

(c) According to the respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion reserve out of profit after tax determined under the statutory financial statements and the amount and allocation basis are decided by their board of directors annually. The enterprise expansion reserve can be used to expand the capital of the PRC entities.

(d) The statutory reserve refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax determined under the statutory financial statements of the PRC entities and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the PRC entities. The statutory reserve fund can be used to make up prior years' losses of the PRC entities.

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

For the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2009 and 2010

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Profit (loss) before tax for the year/period from continuing operations	165,385	46,084	(229,766)	(83,902)	(92,265)
Profit (loss) before tax for the year/period from discontinued operation	24,390	(17,312)	(63,820)	(49,134)	—
Adjustments for:					
Depreciation of property, plant and equipment	11,923	26,012	18,735	12,405	6,043
Amortisation of prepaid lease payments	1,278	1,463	1,584	738	766
Share-based payment expense	457	—	—	—	—
Finance costs	14,728	37,139	28,732	15,799	5,142
Interest income	(6,383)	(7,232)	(2,018)	(638)	(457)
(Gain) loss on disposal of a jointly controlled entity	—	(15,135)	2,242	2,242	—
Gain on disposal of available-for-sale investment	—	—	(367)	—	—
Amortisation of intangible assets	631	3,371	904	904	—
Reversal of impairment loss on loan to jointly controlled entity	(677)	—	—	—	—
Change on fair value of investment properties	(13,249)	3,371	—	—	—
Impairment loss on goodwill	—	36,862	—	—	—
Impairment loss on prepaid lease payments	—	2,405	—	—	—
Impairment loss on intangible assets	—	2,138	—	—	—
Impairment loss (reversal of impairment loss) on amounts due from fellow subsidiaries	—	—	6,571	(11,885)	—
Discount on acquisition of additional interest in a subsidiary	—	(4,922)	—	—	—
Fair value change on conversion option derivative liability	—	(19,873)	(1,452)	(1,452)	—
Impairment loss (reversal of impairment loss) recognised in respect of trade receivables	1,683	79	23,344	7,598	(6,347)
Impairment loss of property, plant and equipment	—	23,425	83,725	83,725	56,000
Allowance for inventories	1,675	317	46,089	2,842	20,721
Gain on disposal of a business	—	—	(7,787)	—	—
Impairment loss recognised in respect of other receivables	—	—	9,174	—	21,760
Gain from a bargain purchase on acquisition of a subsidiary	—	—	—	—	(2,020)
Loss on disposal of a subsidiary	—	—	2,780	—	—
Loss on disposal of property, plant and equipment	1,060	1,161	2,128	132	—
Operating cash flows before movements in working capital	202,901	119,353	(79,202)	(20,626)	9,343

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Increase) decrease in inventories	(67,597)	(108,762)	(25,799)	(82,315)	86,832
(Increase) decrease in trade receivables	(86,528)	(159,162)	181,815	9,439	(98,606)
(Increase) decrease in deposits, prepayments and other receivables	(35,987)	59,517	(83,191)	(103,836)	(59,774)
Increase (decrease) in trade payables	58,769	15,212	(59,671)	(31,508)	(26,490)
Increase in other payables and accruals	29,939	16,630	36,633	45,573	103,056
(Increase) decrease in amounts due from fellow subsidiaries	—	(17,389)	111,414	17,910	(15,739)
(Increase) decrease in amount due from a related company	(146,744)	58,637	(19,183)	4,982	(15,898)
Decrease in amounts due from jointly controlled entities	—	2,502	—	4,232	—
Increase in amount due to a jointly controlled entity	5,812	23,139	3,827	—	—
Increase in amounts due to joint venturers of jointly controlled entities	10,415	3,764	—	—	—
Decrease in amount due from a former jointly controlled entity	—	—	—	—	405
Decrease in amounts due to fellow subsidiaries	(80,999)	(57,695)	(20,962)	—	—
Cash (used in) from operations	(110,019)	(44,254)	45,681	(156,149)	(16,871)
Hong Kong Profits Tax refunded (paid)	307	(9)	(28)	—	—
Tax paid for other jurisdiction	(3,531)	(6,361)	(4,495)	(2,575)	(11,738)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(113,243)	(50,624)	41,158	(158,724)	(28,609)

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES					
(Increase) decrease in bank deposits with original maturity of more than three months	(163,767)	95,376	121,855	146,852	60,593
Purchase of property, plant and equipment	(56,600)	(82,292)	(4,762)	(4,762)	(45,947)
Purchase of investment property	(56,181)	—	—	—	—
Purchase of additional interest in a subsidiary	(20,800)	—	—	—	—
Purchase of intangible assets	(10,817)	(4,789)	—	—	—
Increase in prepaid lease payments	(2,818)	(36)	—	—	(292)
(Advance to) repayment from jointly controlled entity	(2,497)	12,046	—	15,944	—
(Increase) decrease in pledged bank deposits	(1,784)	(3,366)	12,334	6,192	(22,962)
Proceeds on disposal of property, plant and equipment	159	3,172	49	—	—
Acquisition of an additional interest in a former jointly controlled entity	—	(7,042)	—	—	—
Disposal of a jointly controlled entity	—	5,193	(3,483)	(3,483)	—
Disposal of a subsidiary	—	—	16,848	—	—
Interest received	6,383	7,232	2,018	638	457
Purchase of available-for-sale investments	—	(805)	(511)	—	—
Acquisition of a subsidiary	—	—	—	—	5,928
Proceeds on disposal of available-for-sale investments	—	—	805	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(308,722)	24,689	145,153	161,381	(2,223)
FINANCING ACTIVITIES					
Bank borrowings raised	783,268	1,161,398	475,385	371,323	161,309
Advance from (repayment to) intermediate holding company	221,599	31,554	(104,181)	(8,563)	2,110
Issuance of convertible redeemable preference shares	90,859	—	—	—	—
Advances from (repayments to) related companies	47,787	(47,787)	—	—	—
Proceeds from issue of shares	39,564	23,202	91,781	—	—
Advances from (repayments to) joint venturers of jointly controlled entities	2,000	(14,836)	—	12,023	(10,582)
Repayment of bank borrowings	(632,893)	(1,149,585)	(584,543)	(381,911)	(148,652)
(Repayment to) advance from ultimate holding company	(34,726)	514	160	2,155	1,950
Dividend paid	(31,238)	—	—	—	—
Interest paid	(14,728)	(29,323)	(16,094)	(9,614)	(5,142)
Repayment of obligations under finance lease	(12)	(11)	(12)	(6)	—
Contribution by non-controlling shareholder	—	6,689	—	—	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	471,480	(18,185)	(137,504)	(14,593)	993

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,515	(44,120)	48,807	(11,936)	(29,839)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5,535	2,616	(325)	(924)	1,661
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	23,853	78,903	37,399	37,399	85,881
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	78,903	37,399	85,881	24,539	57,703
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	79,510	42,502	85,881	26,072	57,703
Bank overdrafts	(607)	(8,586)	—	(5,561)	—
Cash and cash equivalents included in assets classified as held for sale	—	3,483	—	4,028	—
	78,903	37,399	85,881	24,539	57,703

NOTES TO THE UNAUDITED COMBINED FINANCIAL INFORMATION

For the years ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2009 and 2010

1. GENERAL

On 8 June 2010, New Environmental Energy Holdings Limited (the "Company") entered into the sale and purchase agreement with a wholly-owned subsidiary of the Company, Full Prosper Holdings Limited ("Full Prosper"), the purchaser, Bloom Origin Limited ("Bloom Origin") and creditor, Bright King Investments Limited ("Bright King") (the "Agreement"). Pursuant to the Agreement, Full Prosper has conditionally agreed to sell the entire issued share capital of Full Charm Holdings Limited to Bloom Origin at a consideration of HK$450 million.

Full Charm Holdings Limited was incorporated on 12 April 2010 and will become the holding company of Spring Castle Group Limited, Primeline Investment Limited, Investland Investments Limited, Limei International Limited, Hembly Garment Manufacturing Macau Commercial Offshore Limited, M.T.T. Limited, M.T.T. (Yangzhou) Garment Co., Ltd., Hembly (Nanjing) Garment Co., Ltd., Nanjing Hembly Commercial Co., Ltd., Shenzhen Hembly Garment Co., Ltd., Hembly Garment Limited, Scienward (Nanjing) Garment Co. Limited, Hembly (Yangzhou) Garment Manufacturing Company Limited, Hembly (Nanjing) Garment Manufacturing Co., Ltd., ST Sourcing Limited, Yangzhou Stonefly Company Limited, Yangzhou Hengjia Garment Manufacturing Co., Ltd. and Hembly Yangzhou Garment Co., Ltd. (collectively referred to as the "Disposal Subsidiaries") before the completion of the Agreement.

2. BASIS OF PRESENTATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION

The unaudited combined financial information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of the entire issued share capital of Full Charm Holdings Limited.

The amounts included in the unaudited combined financial information have been recognised and measured in accordance with the relevant accounting policies of the Company and its subsidiaries adopted in the preparation of its consolidated financial statements for the three years ended 31 December 2009 and the six months ended 30 June 2010, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited combined financial information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 "Presentation of Financial Statements". In addition, for the purpose of the preparation of the unaudited combined financial information the comparative financial information in respect of the year ended 31 December 2007 has not been presented.

The unaudited combined statements of comprehensive income, combined statements of cash flows and combined statement of changes in equity for the three years ended 31 December 2009 and the six months ended 30 June 2010 includes the results and cash flows of the Disposal Subsidiaries throughout the three years ended 31 December 2009 and the six months ended 30 June 2010, or since the respective date of incorporation/establishment of the Disposal Subsidiaries where this is a shorter period.

The unaudited combined statements of financial position as at 31 December 2007, 2008 and 2009 and 30 June 2010 includes the assets and liabilities of the Disposal Subsidiaries which were in existence on those dates.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

On 8 June 2010, the Company entered into a conditional sale and purchase agreement ("the Agreement") with Full Prosper Holdings Limited ("Full Prosper"), a wholly-owned subsidiary of the Company, and Bloom Origin Limited ("Bloom Origin"), pursuant to which Bloom Origin has conditionally agreed to acquire and Full Prosper has conditionally agreed to sell, the entire issued share capital of Full Charm Holdings Limited ("Full Charm"), a wholly-owned subsidiary of Full Prosper, at the consideration of HK$450 million. The consideration will be satisfied by (i) applying HK$250 million earnest money received by the Company and (ii) surrendering the promissory note with a principal amount of HK$200 million issued to Bright King Investments Limited ("Bright King") for cancellation. Bloom Origin and Bright King are beneficially owned by Mr. Ngok Yan Yu, a director and substantial shareholder of the Company.

The pro forma financial information is prepared solely for the purpose to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2010 and (b) the financial results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2010. This pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 June 2010 or at any future date had the Disposal been completed on 30 June 2010 or the financial results and cash flows of the Group for the six months ended 30 June 2010 or for any future period had the Disposal been completed on 1 January 2010 or for any future period.

I. Unaudited Pro Forma Consolidated Statement of Financial Position

	Consolidated Statement of Financial Position of the Group as at 30 June 2010	Pro forma adjustments		Pro forma Consolidated Statement of Financial Position of the Remaining Group as at 30 June 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	
Non-current assets				
Property, plant and equipment	183,008	(148,500)		34,508
Intangible assets	5,988	—		5,988
Goodwill	271,729	—		271,729
Prepaid lease payments	66,162	(63,937)		2,225
Amounts due from grantors for contract work	158,147	—		158,147
Available-for-sale investment	34,700	—		34,700
Interest in an associate	77,321	—		77,321
Deposit paid for construction of infrastructure in service concession arrangements	105,798	—		105,798
	902,853			690,416
Current assets				
Inventories	161,613	(106,504)		55,109
Trade receivables	236,820	(233,682)		3,138
Deposits, prepayments and other receivables	127,621	(85,420)		42,201
Deferred consideration receivable	49,193	—		49,193
Prepaid lease payments	1,544	(1,495)		49
Amounts due from related companies	142,842	(61,706)		81,136
Amount due from an associate	2,870	—		2,870
Amounts due from Target Subsidiaries	—	153,807	(144,211)	9,596
Tax recoverable	668	—		668
Available-for-sale investments	551	(551)		—
Pledged bank deposits	26,406	(22,962)		3,444
Bank deposits with original maturity of more than three months	34,952	(34,952)		—
Bank balances and cash	293,670	(57,703)		235,967
	1,078,750			483,371

	Consolidated Statement of Financial Position of the Group as at 30 June 2010	Pro forma adjustments		Pro forma Consolidated Statement of Financial Position of the Remaining Group as at 30 June 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 1)	*(note 2)*	*(note 3)*	
Current liabilities				
Trade payables	55,225	(29,115)		26,110
Other payables and accruals	188,821	(184,786)		4,035
Amounts due to related companies	250,000	—	(250,000)	—
Amounts due to Target Subsidiaries	—	10,211	(10,211)	—
Obligation under finance leases				
— due within one year	773	—		773
Bank borrowings — due within one year	150,172	(23,258)		126,914
Taxation payable	32,664	(16,683)		15,981
	677,655			173,813
Net current assets	401,095			309,558
Total assets less current liabilities	1,303,948			999,974
Non-current liabilities				
Bank borrowings				
— due after one year	197,623	(197,623)		—
Obligations under finance leases				
— due after one year	207	—		207
Convertible notes	242,734	—		242,734
Convertible bonds	124,298			124,298
Embedded derivatives	18,798			18,798
Promissory notes	203,913	—	(113,006)	90,907
Deferred consideration payable	461	—		461
Deferred tax liabilities	42,796	(2,118)		40,678
	830,830			518,083
	473,118			481,891
Capital and reserves				
Share capital	84,946			84,946
Reserves	353,764		8,773	362,537
Equity attributable to owners of the Company	438,710			447,483
Non-controlling interests	34,408			34,408
	473,118			481,891

Notes:

1. Extracted from the unaudited consolidated statement of financial position of the Group set out in the interim report of the Company for the six months ended 30 June 2010.

2. The adjustment reflects the de-consolidation of assets and liabilities of the Target Subsidiaries as at 30 June 2010 and recognition of amounts due from/to Target Subsidiaries, assuming that the Disposal had taken place on 30 June 2010. Financial information of the Target Subsidiaries is set out in Appendix II.

3. The adjustment reflects the estimated gain arising from the Disposal, assuming that the Disposal had taken place on 30 June 2010:

	HK$'000
Cash consideration (satisfied by earnest money received)	250,000
Carrying amount of promissory note issued to Bright King as at 30 June 2010	113,006
Settlement of intercompany balances between Remaining Group and Target Subsidiaries *(note)*	(134,000)
Net assets of the Target Subsidiaries as at 30 June 2010	(220,233)
Gain from Disposal as at 30 June 2010	8,773

The financial effect of the Disposal is to be determined based on the carrying amount of the promissory note and net asset value of the Target Subsidiaries at the completion date and is therefore subject to change upon completion of the Disposal.

note: As agreed in the Agreement, net debts due from the Target Subsidiaries to the Remaining Group, in the sum of HK$134 million will be settled by the application of the same amount from the consideration upon completion of the Disposal.

II. Unaudited Pro Forma Consolidated Statement of Comprehensive Income

	Consolidated Statement of Comprehensive Income of the Group for the six months ended 30 June 2010	Pro forma adjustments		Pro forma Consolidated Statement of Comprehensive Income of the Remaining Group for the six months 30 June 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 4)	*(note 5)*	*(note 6)*	
Revenue	368,773	(305,429)		63,344
Cost of sales	(355,054)	307,422		(47,632)
Gross profit	13,719			15,712
Other income, gains and losses	(7,982)	2,734		(5,248)
Gain from a bargain purchase on acquisition of a subsidiary	2,020	(2,020)		—
Administrative expenses	(96,172)	19,113		(77,059)
Distribution and selling costs	(21,862)	9,303		(12,559)
Gain (loss) on disposal of subsidiaries	38,627		(88,750)	(50,123)
Gain on fair value change of embedded derivatives	16,799			16,799
Impairment loss on goodwill	(144,184)	—		(144,184)
Impairment loss on property, plant and equipment	(56,000)	56,000		—
Share of results of an associate	2,281	—		2,281
Finance costs	(44,610)	5,142	6,970	(32,498)
Loss before tax	(297,364)			(286,879)
Income tax expense (credit)	(1,780)	3,399		1,619
Loss for the period	(299,144)			(285,260)
Other comprehensive income				
Exchange differences arising on translation of foreign operations	25,173	(5,112)		20,061
Reclassification adjustment on disposal of a subsidiary	562	—		562
Other comprehensive income for the period	25,735			20,623
Total comprehensive expense for the period	(273,409)			(264,637)
Loss for the period attributable to:				
Owners of the Company	(292,945)	95,664	(81,780)	(279,061)
Non-controlling interests	(6,199)	—		(6,199)
	(299,144)			(285,260)
Total comprehensive expense attributable to:				
Owners of the Company	(267,210)	90,552	(81,780)	(258,438)
Non-controlling interests	(6,199)			(6,199)
	(273,409)			(264,637)

Notes:

4. Extracted from the unaudited consolidated statement of comprehensive income of the Group set out in the interim report of the Company for the six months ended 30 June 2010.

5. The adjustment reflects the exclusion of the results of the Target Subsidiaries for the six months ended 30 June 2010, assuming that the Disposal had taken place on 1 January 2010. Financial information of the Target Subsidiaries is set out in Appendix II.

6. The adjustment reflects (i) the elimination of interest expense relating to the promissory note issued to Bright King and (ii) the estimated loss arising from the Disposal, assuming that the Disposal had taken place on 1 January 2010:

	HK$'000
Cash consideration (satisfied by earnest money received)	250,000
Carrying amount of promissory note issued to the Bright King as at 1 January 2010	106,035
Settlement of intercompany balances between Remaining Group and Target Subsidiaries *(note)*	(134,000)
Net assets of the Target Subsidiaries as at 1 January 2010	(310,785)
Loss from Disposal as at 1 January 2010	(88,750)

The financial effect of the Disposal is to be determined based on the carrying amount of the promissory note and net asset value of the Target Subsidiaries at the completion date and is therefore subject to change upon completion of the Disposal.

note: As agreed in the Agreement, all the net debts due from the Target Subsidiaries to the Remaining Group in the sum of HK$134 million will be settled by the application of the same amount from the consideration upon completion of the Disposal.

III. Unaudited Pro Forma Consolidated Statement of Cash Flows

	Consolidated Statement of Cash Flow of the Group for the six months ended 30 June 2010	Pro forma adjustments		Pro forma Consolidated Statement of Cash Flows of the Remaining Group for the six months ended 30 June 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 7)	*(note 8)*	*(note 9)*	
NET CASH USED IN OPERATING ACTIVITIES	(166,351)	28,609		(137,742)
NET CASH FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(46,714)	45,947		(767)
Payments to contractors for construction of infrastructure in service concession arrangement	(10,249)	—		(10,249)
Acquisition of a subsidiary	5,928	(5,928)		—
Advance to a related company	(30,435)	—		(30,435)
Decrease in bank deposits with original maturity of more than three months	60,593	(60,593)		—
Increase in pledged bank deposits	(19,777)	22,962		3,185
Decrease in deferred consideration receivable	38,264	—		38,264
Advance to Target Subsidiaries	—	(4,060)		(4,060)
Disposal of subsidiaries	(188)	—	(85,881)	(86,069)
Proceeds on disposal of financial asset at fair value through profit or loss	6,239	—		6,239
Other investing cash flows	2,511	(165)		2,346
	6,172			(81,546)
NET CASH FROM FINANCING ACTIVITIES				
Repayment of bank borrowings	(252,102)	148,652		(103,450)
Interest paid	(11,941)	5,142		(6,799)
New bank borrowings raised	275,309	(161,309)		114,000
Issue of convertible bonds	156,000	—		156,000
Issuance of Shares	170,006	—		170,006
Share issuance expense	(7,687)	—		(7,687)
Other financing cash flows	(373)	10,582		10,209
	329,212			332,279
NET INCREASE IN CASH AND CASH EQUIVALENTS	169,033			112,991
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,759			98
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	122,878			122,878
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	293,670			235,967
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS				
Bank balances and cash	293,670			235,967

Notes:

7. Extracted from the unaudited consolidated statement of cash flows of the Group set out in the interim report of the Company for the six months ended 30 June 2010.

8. The adjustment reflects the exclusion of the cash flows of the Target Subsidiaries for the six months ended 30 June 2010, assuming that the Disposal had taken place on 1 Jaunary 2010. Financial information of the Target Subsidiaries is set out in Appendix II.

9. The adjustment reflects the cash outflow arising from the Disposal, assuming that the Disposal had taken place on 1 January 2010.

2. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Deloitte.
德勤

德勤・關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

We report on the unaudited pro forma financial information of New Environmental Energy Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the disposal of entire issued share capital of Full Charm Holdings Limited might have affected the financial information presented, for inclusion in Appendix III of the circular dated 24 September 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on page 51 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future date; or
- the results and cash flows of the Group for the six months ended 30 June 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 September 2010

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 Company. 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. INTERESTS IN SECURITIES

(a) Interests and short positions of Directors and chief executive in shares and debentures

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required 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 were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(i) *Shares of the Company*

Name of Director	**Capacity**	**Number of Shares**	**Approximate percentage of shareholdings**
Ngok Yan Yu	Interest of a controlled corporation *(Note 1)*	76,344,205	7.65%
	Family Interest *(Note 2)*	250,000	0.03%
Marcello Appella	Interest of a controlled corporation *(Note 3)*	3,588,030	0.36%

Notes:

1. These Shares were held by Charm Hero Investments Limited ("Charm Hero"), which is wholly owned by Mensun Limited ("Mensun"), which is in turn wholly owned by Mr. Ngok Yan Yu. As such, Mr. Ngok Yan Yu was deemed or taken to have interest in these Shares held by Charm Hero for the purposes of the SFO.

2. These Shares were held by the spouse of Mr. Ngok Yan Yu. As such, Mr. Ngok Yan Yu was deemed or taken to have interest in these Shares for the purposes of the SFO.

3. These Shares were held by Sycomore Limited ("Sycomore"), which was owned as to 50% by Mr. Marcello Appella and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella was deemed or taken to have interest in the Shares held by Sycomore for the purposes of the SFO.

(ii) *Share options of the Company*

Name of director	Number of shares in respect of which options are held *(Note 1)*	Exercisable period	Approximate percentage of issued share capital of the Company	Exercise price
Ngok Yan Yu	302,298	9/10/2007–8/10/2010 *(Note 2)*	0.03%	HK$4.8727
	503,829	18/8/2008–17/8/2018 *(Note 3)*	0.05%	HK$1.5581
	403,063 *(Note 4)*	9/10/2007–8/10/2010 *(Note 2)*	0.04%	HK$4.8727
	253,829 *(Note 4)*	18/8/2008–17/8/2018 *(Note 3)*	0.03%	HK$1.5581
	1,463,019		0.15%	
Marcello Appella	251,915	9/10/2007–8/10/2010 *(Note 2)*	0.03%	HK$4.8727
	201,532	18/8/2008–17/8/2018 *(Note 3)*	0.02%	HK$1.5581
	453,447		0.05%	

Notes:

1. The numbers refer to the underlying Shares in which a Director has interest pursuant to options to subscribe for Shares held.

2. These share options were granted on 9 October 2007. 20% of the granted share options vested on 9 October 2007 and are exercisable from 9 October 2007 to 8 October 2010. Another 30% of the granted share options vested on 9 October 2008 and are exercisable from 9 October 2008 to 8 October 2010. The remaining 50% of the granted share options vested on 9 October 2009 and are exercisable from 9 October 2009 to 8 October 2010.

3. These share options were granted on 18 August 2008. 20% of the granted share options vested on 18 August 2008 and are exercisable from 18 August 2008 to 17 August 2018. Another 30% of the granted share options vested on 18 August 2009 and are exercisable from 18 August 2009 to 17 August 2018. The remaining 50% of the granted share options would vest on 18 August 2010 and be exercisable from 18 August 2010 to 17 August 2018.

4. The relevant options were held by Ms. Tang Chui Yu, Janny. Ms. Tang Chui Yi, Janny is the spouse of Mr. Ngok Yan Yu. As such, Mr. Ngok Yan Yu was deemed or taken to have interest in the options to subscribe for Shares held by Ms. Tang Chui Yu, Janny for the purposes of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have required 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 the Directors were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) 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**
Ngok Yan Yu	Director	Charm Hero Investments Limited
	Director	Mensun Limited
Ho Gilbert Chi Hang	Director	Simple Success Investments Limited
	Director	New World Strategic Investment Limited
	Senior Investment Director	New World Development Company Limited

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

(a) save for the Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group; and

(b) save for the Agreement, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2009 (the date to which the latest published audited accounts of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group are engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) a conditional sourcing agreement dated 14 November 2008 made between Hembly Garment Manufacturing Limited, wholly-owned subsidiary of the Company, and Sergio Tacchini International S.P.A., a company incorporated in Italy and directly wholly-owned by Mr. Ngok, the chairman, executive director and substantial shareholder of the Company, pursuant to which Sergio Tacchini International S.P.A. was re-appointed Hembly Garment Manufacturing Limited's exclusive sourcing supplier for all sourcing of sport apparel, leisure wear and related accessories bearing the trademarks of "S.T." and/or "Sergio Tacchini" that will be manufactured in Asia for the period from 1 January 2009 to 31 December 2011. This sourcing agreement became unconditional on 30 December 2008 as it has on that same day received the Company's independent shareholders' approval;

(b) the agreement dated 3 December 2008 entered into between Spring Castle Group Limited, a wholly owned subsidiary of the Company as seller and Luxba Group Limited (formerly known as Primewill Investments Limited) as purchaser in relation to the sale and purchase of 7,500 common shares with a par value of US$1.00 each in the share capital of Well Metro Group Limited at an aggregate consideration of HK$100,000,000;

(c) the underwriting agreement dated 20 January 2009 entered into among the Company, Mr. Ngok and Fortune (HK) Securities Limited ("Fortune") in relation to the issue of 141,515,000 Shares by way of an open offer (the "Open Offer") pursuant to which Fortune agreed to fully underwrite 89,484,115 Shares under the Open Offer at HK$0.30 per Share;

(d) the warrant placing agreement dated 2 July 2009 entered in to between the Company and Fortune in relation to a private placing of 55,000,000 unlisted warrants issued by the Company at an issue price of HK$0.03 per unit of warrant each entitling holders thereof to subscribe for one share in the capital of the Company at an exercise price of HK$0.70;

(e) the placing agreement dated 27 August 2009 entered into between the Company and Fortune in relation to placing of a maximum of 29,900,000 new shares in the capital of the Company on a best effort basis at an issue price of HK$0.60 per Share;

(f) the conditional sale and purchase agreement dated 8 September 2009 (as amended by a supplemental agreement dated 18 September 2009) entered into amongst Simple Success Investments Limited, the Creditor, Bright Good Limited, Rising Boom Enterprises Limited, the Company and Mr. Ngok in relation to the Acquisition;

(g) a non-legally binding investment term sheet dated 20 November 2009 entered into between the Company and Waste Resources Fund L.P. in relation to the proposed subscription of the convertible bond(s) in a principal amount of HK$156 million and the proposed subscription of HK$15.6 million worth of new Shares;

(h) the placing agreement dated 24 November 2009 and entered into between the Company and CCB International Capital Limited in respect of the placing of up to 25,000,000 Shares at an issue price of HK$2.60 per Share;

(i) an agreement dated 10 December 2009 (the "Dec Disposal Agreement") entered into between Hembly Garment Manufacturing Limited (a wholly-owned subsidiary of the Company) and Prideful Hill Investments Limited in respect of the disposal of the entire registered capital of 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Ltd) at a consideration of HK$60,000,000;

(j) the memorandum of supersession (the "Dec MOU") entered into between Hembly Garment Manufacturing Limited (a wholly-owned subsidiary of the Company) and Prideful Hill Investments Limited on 14 December 2009, pursuant to the Dec MOU, which will supersede the Dec Disposal Agreement such that Hembly Garment Manufacturing Limited and Prideful Hill Investments Limited have agreed to grant to each other an exclusivity period of 30 days from the date of the Dec MOU to carry out due diligence, prepare funds and otherwise to consider whether or not to proceed with the proposed sales and purchase of the 恒寶利(南京)服裝有限公司 (Hembly (Nanjing) Garment Co., Ltd);

(k) the supplemental memorandum of supersession dated 13 January 2010 to the Dec MOU to extend the exclusivity period up to 30 June 2010;

(l) the conditional subscription agreement entered into between the Company and Waste Resources G.P. Limited (as general partner for and on behalf of Waste Resources Fund L.P.) on 29 January 2010 in relation to the proposed issue and subscription of the zero coupon guaranteed convertible bonds due 2015 in the principal amount of HK$156 million and the 9,341,000 Shares to Waste Resources G.P. Limited;

(m) a deed of guarantee dated 13 April 2010 given by various subsidiaries of the Company, namely Smartview Investment Holdings Ltd., Biomax Environmental Technology Group Ltd., Biomax Green Energy (Guangzhou) Investment Limited, Biomax Green Energy (Nanchang) Investment Limited, Biomax Green Energy (Nanjing) Investment Limited, Biomax Yanzhou Environment Park Investment Limited and J&B Environment Limited in favour of Waste Resources Fund L.P. and any holders of the convertible bonds of the Company issued on 13 April 2010;

(n) a deed of subordination dated 13 April 2010 entered into among the Company, the Vendor, Simple Success Investments Limited, the Creditor and Waste Resources G.P. Limited (as general partner for and on behalf of Waste Resources Fund L.P.), pursuant to which Simple Success Investments Limited and the Creditor agreed to subordinate and defer the Company's payment of the indebtedness under certain convertible notes and promissory notes issued by members of the Group to them to all rights, claims and actions which Waste Resources G.P. Limited has under the convertible bonds issued by the Company on 13 April 2010;

(o) a deed of settlement dated 23 February 2010 entered into among the Company, Rising Boom Enterprises Limited and the Creditor relating to release of the Company's obligations under a promissory note of the Company in the principal amount of HK$55 million held by the Creditor and release of the Company's obligation to issue the promissory note in the initial principal amount of HK$144 million (subject to adjustments) to be issued by the Company to the Creditor in consideration of the Company's issue of certain convertible notes with the same principal amounts to the Creditor;

(p) the placing agreement dated 1 April 2010 entered between Best View Enterprises Limited, the Company and The Royal Bank of Scotland N.V., Hong Kong Branch in respect of the placing of the total of 76,400,000 Shares beneficially owned by Best View Enterprises Limited at an issue price of HK$2.02 per Share;

(q) the subscription agreement dated 1 April 2010 entered between the Company and Best View Enterprises Limited in respect of the subscription of a total of 76,400,000 Shares at a subscription price of HK$2.02 per Share;

(r) the placing agreement dated 26 August 2010 entered between Best View Enterprises Limited, Simple Success Investments Limited, Fortune (HK) Securities Limited and the Company in respect of the placing of up to a maximum of 148,400,000 Shares held by Best View Enterprises Limited and Simple Success Investments Limited at HK$0.537 per Share (the "Aug 2010 Placing");

(s) the subscription agreement dated 26 August 2010 entered between Best View Enterprises Limited, Simple Success Investments Limited and the Company in respect of the subscription of new Shares in the number same as the Shares to be placed under the Aug 2010 Placing at a subscription price of HK$0.537 per Share;

(t) the MOU;

(u) the Agreement; and

(v) the Framework Agreement as referred to on page 16 of this circular.

8. MISCELLANEOUS

(i) The secretary of the Company is Ms. Wong Bing Ni. Ms. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(ii) In the event of inconsistency the English text of this circular shall prevail over the Chinese text.

9. EXPERTS

The following are the qualifications of the experts who have given their opinions or advices which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Guangdong Securities	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor Guangdong Securities has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, neither Deloitte Touche Tohmatsu nor Guangdong Securities has any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2009, being the date on which the latest published audited financial statements of the Group were made up.

Each of Deloitte Touche Tohmatsu and Guangdong Securities 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 respectively appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at Room 302B, 3rd floor, New World Tower, 16–18 Queen's Road Central, Hong Kong on any business day for a period of 14 days commencing from the date of this circular:

(a) the Company's articles of association;

(b) the letter from the Independent Board Committee, the text of which is set out on page 20 of this circular;

(c) the letter of advice from Guangdong Securities, the text of which is set out on pages 21 to 31 of this circular;

(d) the financial information of the Target Group set out in Appendix II of this circular;

(e) the report on review issued by the Company's auditors on the financial information of the Target Group;

(f) the unaudited pro forma financial information of the Remaining Group set out in Appendix III of this circular;

(g) the written consents referred to the section headed "9. Experts" in this appendix;

(h) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix;

(i) the Company's annual reports for the two years ended 31 December 2009;

(j) the Agreement; and

(k) this circular.

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 IS HEREBY GIVEN that an extraordinary general meeting of New Environmental Energy Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Monday, 18 October 2010, at 36th Floor, No. 1 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the purposes of considering and, if thought fit, passing with or without modifications the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT:**

(a) the conditional agreement dated 8 June 2010 entered into among the Company, Full Prosper Holdings Limited (the "**Vendor**") which is a wholly owned subsidiary of the Company, Bloom Origin Limited (the "**Purchaser**") and Bright King Investments Limited in relation to the disposal of the entire issued share capital of Full Charm Holdings Limited by the Vendor to the Purchaser at the consideration of HK$450 million subject to the terms and conditions thereunder (the "**Agreement**"), a copy of which has been produced to the meeting for identification purpose, together with all the transactions contemplated under the Agreement be approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as they in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement, or any of the transactions contemplated under the Agreement and to agree to such variations, amendments, waivers or matters relating to the Agreement (including any variations, amendments or waivers of such documents in connection with the Agreement) as are, in their opinion, appropriate."

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

Hong Kong, 24 September 2010

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 in his stead. 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 resolution to be proposed will be taken by way of poll.

7. Mr. Ngok Yan Yu, Bloom Origin Limited, Bright King Investments Limited and their respective associates have to abstain from voting on the resolution proposed at the meeting.