



NEW SMART ENERGY GROUP LIMITED

駿新能源集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code : 91)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES AND PLACING OF NEW SHARES

Placing Agent

VINCO 城高
Grand Vinco Capital Limited

The Placing and Subscription Agreement

On 28 March 2007, the Vendors entered into the Placing and Subscription Agreement with the Placing Agent and the Company. Pursuant to the Placing and Subscription Agreement, the Vendors agreed to place, through the Placing Agent, 170,000,000 existing Shares on a best effort basis to not less than six placees which will be Independent Third Parties at a price of HK\$0.3001 per Share. Pursuant to the Placing and Subscription Agreement, the Vendors conditionally agreed to subscribe for 170,000,000 new Shares at a price of HK\$0.3001 per Share.

The New Shares Placing Agreement

On 28 March 2007, the Company entered into the New Shares Placing Agreement with the Placing Agent, pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 30,000,000 New Placing Shares, on a best effort basis, to not less than six placees which will be Independent Third Parties at the New Shares Placing Price of HK\$0.3001 per New Placing Share.

The Placing Price, the Subscription Price and the New Shares Placing Price of HK\$0.3001 represent (i) a discount of about 19.97% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 1.28% to the average closing price per Share of HK\$0.304 as quoted on the Stock Exchange for the last five full trading days up to the Last Trading Day; and (iii) a premium of about 5.30% over the average closing price per Share of HK\$0.285 as quoted on the Stock Exchange for the last ten full trading days up to the Last Trading Day.

The aggregate of the Subscription Shares and the New Placing Shares of 200,000,000 new Shares represents (i) about 18.81% of the existing issued share capital of the Company of 1,063,214,391 Shares; and (ii) about 15.83% of the issued share capital of the Company of 1,263,214,391 Shares as enlarged by the issue of the Subscription Shares and the New Placing Shares.

The Company intends to use part or all of the net proceeds from the Subscription and the New Shares Placing of approximately HK\$58 million to invest in a coal-bed methane related project in the PRC. Any remaining balance of the net proceeds will be retained by the Company as general working capital. Preliminary negotiations to invest in such coal-bed methane related project are ongoing and not yet finalized. In the event that the said investment, if materialises, may constitute a notifiable transaction for the Company under the Listing Rules, the Company will make further announcement as and when appropriate.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 26 March 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 29 March 2007.

1. THE PLACING AND SUBSCRIPTION AGREEMENT DATED 28 MARCH 2007

Pursuant to the Placing and Subscription Agreement, the Vendors agreed with the Placing Agent to place, on behalf of the Vendors, 170,000,000 existing Shares at a price of HK\$0.3001 per Placing Share on a best effort basis and the Vendors would subscribe for the same number of Shares sold under the Placing at the same price of HK\$0.3001 per Share. The terms of the Placing and Subscription Agreement are set out below:

Date: 28 March 2007

Parties involved: The Placing Agent, the Company and the Vendors

A. PLACING

Vendors:

First Vendor: Time Prosper Holdings Limited, a company beneficially owned by Mr. Tong Nai Kan, the Chairman and the executive Director and a beneficial owner of 120,000,000 Shares

Second Vendor: Mr. Tan Chuanrong, the executive Director of the Company and a beneficial owner of 52,500,000 Shares

Placing Agent:

Grand Vinco Capital Limited is the Placing Agent and will receive a placing commission of 2.0% and a brokerage fee of 0.25% on the gross proceeds of the Placing paid by the Vendors, which was arrived at after arm's length negotiations between the Vendors and the Placing Agent.

The Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees:

Not less than six placees which will be independent individuals, corporate and/or institutional investors, and who and whose ultimate beneficial owners will be independent of and not connected with any of the Directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries or their respective associates.

As informed by the Placing Agent, an aggregate of 100,000,000 Shares (of which 80,000,000 Placing Shares and 20,000,000 New Placing Shares) will be placed by the Placing Agent to Galaxy China Opportunities Fund, a mutual fund domiciled in the Cayman Islands being an international fund open to public investors and established by Galaxy Asset Management (BVI) Ltd. Immediately upon completion of the Placing, the Subscription and the New Shares Placing, Galaxy China Opportunities Fund will own 100,000,000 Shares, representing approximately 9.41% of the existing issued share capital of the Company and approximately 7.92% of the share capital of the Company as enlarged by the issue of the Subscription Shares and the New Placing Shares.

Placing price:

HK\$0.3001 per Placing Share.

The Placing Price and the Subscription Price represent (i) a discount of about 19.97% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 1.28% to the average closing price per Share of HK\$0.304 as quoted on the Stock Exchange for the last five full trading days up to the Last Trading Day; and (iii) a premium of about 5.30% over the average closing price per Share of HK\$0.285 as quoted on the Stock Exchange for the last ten full trading days up to the Last Trading Day. All the Share price stated above are rounded to three decimal places and calculation of the premium or discount is based on these rounded figures.

The Placing Price is negotiated on an arm's length basis among the Vendors, the Company and the Placing Agent with reference to recent market prices of the Shares. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and its Shareholders as a whole.

Number of Placing Shares:

120,000,000 existing Shares to be sold from the First Vendor and 50,000,000 existing Shares to be sold from the Second Vendor.

Condition of the Placing:

The Placing is unconditional.

Completion of the Placing:

Completion of the Placing is expected to take place on or around 2 April 2007.

B. THE SUBSCRIPTION

Subscribers:

The Vendors

Subscription Price

The Subscription Price is HK\$0.3001 per Subscription Share, being the same as the Placing Price.

Number of Subscription Shares

The same number of Shares sold under the Placing, being 170,000,000 new Shares. Each of the Vendors will subscribe the same number of Shares sold by them under the Placing. The 170,000,000 new Shares, representing approximately 15.99% of the existing issued share capital of the Company and approximately 13.46% of the share capital of the Company as enlarged by the issue of the Subscription Shares and the New Placing Shares.

Ranking of the Subscription Share

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Subscription Shares.

Conditions of the Subscription:

The Subscription is conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares and (ii) completion of the Placing.

Completion:

Completion of the Subscription will take place upon the fulfillment of all conditions of the Subscription as set out above. The Subscription must be completed on or before 11 April 2007, being 14 days from the date of the Placing and Subscription Agreement.

In the event that the conditions to the Placing and Subscription Agreement are not fulfilled by 11 April 2007, the Company and the Vendors may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules, to postpone completion of the Subscription to a later date to be agreed between the Company and the Vendors and further announcement will be made by the Company.

The Second Vendor's undertaking

Pursuant to the Placing and Subscription Agreement, the Second Vendor provided an undertaking to the Placing Agent that the Second Vendor will not transfer or convert a convertible bond to be issued by the Company to the Second Vendor up to the principal amount of HK\$89,178,164.06, being 50% of the aggregate principal amount of the Bond of HK\$178,356,328.12 on or before 31 December 2008. The issue of the Bond is subject to the obtaining of the independent shareholder of the Company's approval at an extraordinary general meeting of the Company and details of which were set out in the announcement of the Company dated 22 March 2007.

2. THE NEW SHARES PLACING AGREEMENT DATED 28 MARCH 2007

On 28 March 2007, the Company entered into the New Shares Placing Agreement with the Placing Agent, pursuant to which the Company agreed to place, through the Placing Agent, an aggregate of 30,000,000 New Placing Shares, on a best effort basis, to not less than six placees which will be independent individuals, corporate and/or institutional investors, and who and whose ultimate beneficial owners will be independent of and not connected with any of the Directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries or their respective associates, at the New Shares Placing Price of HK\$0.3001 per New Placing Share.

Parties

Issuer: The Company

Placing Agent: Grand Vinco Capital Limited

The Placing Agent and its ultimate beneficial owners are not Connected Persons of the Company and are also independent of and not connected with the Company and its Connected Persons. The Placing Agent will charge a placing commission of 2.0% and a brokerage fee of 0.25% of the amount equal to the New Shares Placing Price multiplied by the number of New Placing Shares placed under the Placing. Such commission shall be borne by the Company.

The New Placing Shares

Pursuant to the New Shares Placing Agreement, 30,000,000 new Shares, representing approximately 2.82% of the existing issued share capital of the Company and approximately 2.37% of the share capital of the Company as enlarged by the issue of the Subscription Shares and the New Placing Shares.

The New Shares Placing Price

The New Shares Placing Price represents (i) a discount of about 19.97% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 1.28% to the average closing price per Share of HK\$0.304 as quoted on the Stock Exchange for the last five full trading days up to the Last Trading Day; and (iii) a premium of about 5.30% over the average closing price per Share of HK\$0.285 as quoted on the Stock Exchange for the last ten full trading days up to the Last Trading Day. All the Share price stated above are rounded to three decimal places and calculation of the premium or discount is based on these rounded figures.

The New Shares Placing Price of HK\$0.3001 per New Placing Share was arrived at after arm's length negotiations between the Company and the Placing Agent.

The New Placing Shares will be issued free from all liens, charges and encumbrances, claims, or third party rights and together with all rights attaching thereto as at the date of allotment and issue thereof, including the right to receive all dividends or other distributions declared on the New Placing Shares at any time on or after the date of allotment and issue thereof.

The Placees

The placees (and their respective ultimate beneficial owners) will be independent of and not connected with the Company, its subsidiaries and its associates and will not be Connected Persons of the Company and will be independent from the Connected Persons of the Company.

The Placing Agent informed the Company that there will be not less than six placees which will be independent individuals, corporate and/or institutional investors, and who and whose ultimate beneficial owners will not be Connected Person(s) of the Company and will be independent of and not connected with any of the Directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries or their respective associates.

As informed by the Placing Agent, an aggregate of 100,000,000 Shares (of which 80,000,000 Placing Shares and 20,000,000 New Placing Shares) will be placed by the Placing Agent to Galaxy China Opportunities Fund, a mutual fund domiciled in the Cayman Islands being an international fund open to public investors and established by Galaxy Asset Management (BVI) Ltd. Immediately upon completion of the Placing, the Subscription and the New Shares Placing, Galaxy China Opportunities Fund will own 100,000,000 Shares, representing approximately 9.41% of the existing issued share capital of the Company

and approximately 7.92% of the share capital of the Company as enlarged by the issue of the Subscription Shares and the New Placing Shares.

Termination of the New Shares Placing Agreement

The New Shares Placing Agreement contains provisions granting the Placing Agent the right to terminate the New Shares Placing Agreement on the occurrence of certain events including Force Majeure. If the Placing Agent exercises such right to terminate the New Shares Placing Agreement, the New Shares Placing will not proceed.

Ranking of the New Placing Shares

The New Placing Shares, when issued and fully paid, will rank equally with the Shares in issue as at the date of issue of the New Placing Shares.

Condition of the New Shares Placing

Completion of the New Shares Placing is conditional upon the Listing Committee of the Stock Exchange granting the listing and permission to deal in the New Placing Shares to be issued under the New Shares Placing on or before 11 April 2007 or such later date as may be agreed between the Company and the Placing Agent.

Completion of New Shares Placing

Subject to fulfillment of the above condition, completion of the New Shares Placing will take place on or before the date falling two business days after the date upon which the condition set out above is satisfied or on such later date as the Company and Placing Agent may agree in writing.

3. USE OF PROCEEDS FOR THE PLACING AND SUBSCRIPTION AND THE NEW SHARES PLACING AND USE OF PROCEEDS

The Company is an investment holding company and its subsidiaries are principally engaged in property investment, energy and technology-related business.

The Company intends to use part or all of the net proceeds from the Subscription and the New Shares Placing of approximately HK\$58 million to invest in a coal-bed methane related project in the PRC. Any remaining balance of the net proceeds will be retained by the Company as general working capital. Preliminary negotiations to invest in such coal-bed methane related project are ongoing and not yet finalized. In the event that the said investment, if materialises, may constitute a notifiable transaction for the Company under the Listing Rules, the Company will make further announcement as and when appropriate.

The Directors consider that it is in the interests of the Company to raise capital from the equity market in order to enhance the capital base of the Company. The Directors (including the independent non-executive Directors) consider the terms of the Placing and the Subscription to be fair and reasonable and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

4. EFFECTS ON SHAREHOLDING

Assuming the Placing Shares are fully placed under the Placing, the shareholding of the Vendors in the Company immediately before the Placing, immediately after the Placing but before the Subscription and the New Shares Placing, immediately after the Placing and the Subscription and before the New Shares Placing and immediately after the Placing, the Subscription and the New Shares Placing are as follows:

Name	Existing shareholding		Shareholding in the Company immediately after the Placing but before the Subscription and the New Shares Placing		Shareholding in the Company immediately after the Subscription but before the New Shares Placing		Shareholding in the Company immediately after the Placing, the Subscription and the New Shares Placing	
	Number	%	Number	%	Number	%	Number	%
Gold Blue Group Limited (Note 1)	60,000,000	5.64	60,000,000	5.64	60,000,000	4.87	60,000,000	4.75
Time Prosper Holdings Limited (Note 1)	120,000,000	11.29	0	0.00	120,000,000	9.72	120,000,000	9.50
Mr. Tan (Note 2)	52,500,000	4.94	2,500,000	0.24	52,500,000	4.26	52,500,000	4.16
Placee under the Placing and New Shares Placing	0	0.00	170,000,000	15.99	170,000,000	13.79	200,000,000	15.83
Public	830,714,391	78.13	830,714,391	78.13	830,714,391	67.36	830,714,391	65.76
Total	1,063,214,391	100.00	1,063,214,391	100.00	1,233,214,391	100.00	1,263,214,391	100.00

Notes:

- Mr. Tong Nai Kan, the Chairman and an executive Director, is the beneficial owner of the entire share capital of Gold Blue Group Limited and Time Prosper Holdings Limited. In accordance with the SFO, the interests of Gold Blue Group Limited and Time Prosper Holdings Limited are deemed to be, and have therefore been included in the interests of Mr. Tong Nai Kan.
- On 7 March 2007, Mr. Tan entered into a deed of settlement and a subscription agreement with the Company and Marvel Time Holdings Limited (a wholly-owned subsidiary of the Company) whereby Mr. Tan irrevocably agreed that an indebtedness of HK\$178,356,328.12 owed by Marvel Time Holdings Limited to Mr. Tan shall be settled by the issuance of the Bond by the Company to Mr. Tan. Assuming full conversion of the Bond, the Company will issue 713,425,312 new Shares, representing (a) approximately 67.10% of the Company's total issued share capital as at the date of this announcement; (b) approximately 36.09% of the Company's issued share capital as enlarged by the issue of the new Shares upon conversion of the Bond, the Subscription Shares and the New Placing Shares. Pursuant to the terms of the Bond, the holder(s) of the Bond is/are restricted to exercise the conversion rights attaching on the Bond to the extent that no holder(s) of the Bond together with parties acting in concert with it shall control 30% or more of the voting rights in the Company immediately upon conversion of the Bond. Details of the deed of settlement and the subscription agreement relating to the Bond were set out in the announcement of the Company dated 22 March 2007.

5. FUND RAISING DURING THE PAST 12 MONTHS

Set out below is a table showing the fund raising exercise of the company in the past 12 months:

Description	Announcement date	Net amount raised	Intended use of proceeds as announced	Actual use of proceeds
Placing of existing Shares and subscription of new Shares under the general mandate granted on 24 May 2006	4 July 2006	Approximately HK\$63.7 million	To finance the acquisition of new business ventures, including the possible acquisition of the PRC gas supply company in Qingdao, if materialize	Approximately HK\$40 million used as part of the acquisition of a PRC gas supply company and the balance as general working capital for future application

6. GENERAL

The Subscription Shares and the New Placing Shares will be issued under the general mandate ("General Mandate") to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the extraordinary general meeting (the "EGM") of the Company held on 6 September 2006 subject to the limit up to 20% of the issued share capital of the Company (i.e. 1,049,414,391 Shares) as at the date of passing the resolution at the EGM. As at the date of this announcement, none of the new Shares has been issued under the General Mandate.

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares and the New Placing Shares.

Pursuant to Rule A.3 of Appendix 10 of the Listing Rules, "during the period commencing one month immediately preceding the earlier of:

- the date of the board meeting (as such date is first notified to the Exchange in accordance with the Exchange Listing Rules) for the approval of the listed issuer's results for any year, half-year, quarterly or any other interim period (whether or not required under the Exchange Listing Rules); and
- the deadline for the listed issuer to publish an announcement of its results for any year or half-year under the Exchange Listing Rules, or quarterly or any other interim period (whether or not required under the Exchange Listing Rules),

and ending on the date of the results announcement, a director must not deal in any securities of the listed issuer unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met as described in section C below. In any event, he must comply with the procedure in rules B.8 and B.9 of Appendix 10 of the Listing Rules."

The Company is scheduled to convene a board meeting to approve the annual results of the Company for the year ended 31 December 2006 on 18 April 2007 (the "Board Meeting Date"). In order to facilitate the

completion of the Placing and Subscription Agreement, the Vendors (both of them are executive Directors) will deal in the Shares (i.e. to dispose of 170,000,000 Placing Shares pursuant to the Placing and subscribe for 170,000,000 Subscription Shares pursuant to the Subscription) within one month immediately preceding the Board Meeting Date (the "Prohibition Period").

Having taking into account that

- the Vendors' dealings in the Shares within the Prohibition Period pursuant to the Placing and Subscription Agreement is only to effect the completion of the Placing and the Subscription;
- the same number of Placing Shares (170,000,000 Shares) sold by the Vendors pursuant to the Placing will be subscribed by the Vendors from the Company within 14 days from the date of the Placing and Subscription Agreement;
- the Placing Price and the Subscription Price are the same;
- the primary objective of the Vendors' dealings in the Shares within the Prohibition Period is only to facilitate the completion of the Placing and Subscription Agreement so as to enable the Company to raise funds to meet the Company's expected funding requirements; and
- the Vendors have complied with the procedure in Rule B.8 and B.9 of Appendix 10 of the Listing Rules,

the Directors (including the independent non-executive Directors) satisfy that the aforesaid circumstances are exceptional and the proposed dealings by the Vendors within the Prohibition Period are the only reasonable course of action available to the Company to complete the top-up placing exercise and consider that the Placing and Subscription Agreement is in the interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

A written report in accordance with Rule C.14 of Appendix 10 of the Listing Rules will be submitted to the Stock Exchange by the Company.

7. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 26 March 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 29 March 2007.

TERMS AND DEFINITIONS

"Board"	the board of directors of the Company
"Bond"	a convertible bond to be issued by the Company to Mr. Tan in the aggregate principal amount of HK\$178,356,328.12 with a term of 5 years pursuant to the subscription agreement dated 7 March 2007 entered into between the Company and Mr. Tan
"Company"	New Smart Energy Group Limited, the Shares of which are listed on the Main Board of the Stock Exchange
"Connected Persons"	has the meaning given to that term in the Listing Rules
"Director"	director(s) of the Company
"First Vendor"	Time Prosper Holdings Limited, a company beneficially owned by Mr. Tong Nai Kan, the Chairman and the executive Director, a beneficial owner of 120,000,000 Shares
"Force Majeure"	the Placing Agent is entitled, on the occurrence of certain events (including a material breach of any representations and warranties set out in the New Shares Placing, and material adverse change in the financial position of the Group), to, terminate the New Shares Placing at any time prior to completion of the New Shares Placing
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Parties"	a third party and its ultimate beneficial owners being independent of and not connected with the Directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries or associates of any of them
"Last Trading Day"	23 March 2007, being the last trading day for the Shares prior to this announcement and on which trading of Shares being suspended at 9:30 a.m. on 26 March 2007 pending release of this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Placing Shares"	30,000,000 new Shares to be placed pursuant to the New Placing Agreement
"New Shares Placing"	the placing of the New Placing Shares pursuant to the terms of the New Shares Placing Agreement
"New Shares Placing Agreement"	the placing agreement entered into between the Company and the Placing Agent dated 28 March 2007 in relation to the placing of 30,000,000 new Shares
"New Shares Placing Price"	HK\$0.3001 per Share
"Placing"	the placing of the Placing Shares pursuant to the terms of the Placing and Subscription Agreement
"Placing Agent"	Grand Vinco Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Placing and Subscription Agreement"	the placing and subscription agreement entered into between the First Vendor, Second Vendor, the Company and the Placing Agent dated 28 March 2007 in relation to the Placing and the Subscription
"Placing Price"	HK\$0.3001 per Share
"Placing Shares"	170,000,000 existing Shares to be placed pursuant to the Placing and Subscription Agreement
"PRC"	the People's Republic of China but excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Second Vendor" or "Mr. Tan"	Mr. Tan Chuanrong, the executive Director, a beneficial owner of 52,500,000 Shares
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK\$0.25 in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares pursuant to the terms of Placing and Subscription Agreement
"Subscription Price"	HK\$0.3001 per Share
"Subscription Shares"	170,000,000 new Shares to be subscribed for by the Vendors pursuant to the Placing and Subscription Agreement
"Vendors"	the First Vendor and the Second Vendor
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

As at the date of this announcement, the Executive Directors of the Company are Mr. Tong Nai Kan, Miss Chow Sim Chu, Shirley, Mr. Bai Yang and Mr. Tan Chuanrong and the Independent Non-executive Directors are Dr. Tang Tin Sek, Mr. Liu Ngai Wing, Mr. Lam Yat Fai and Mr. Chan Kin Sang.

By Order of the Board
New Smart Energy Group Limited
Tong Nai Kan
Chairman and Managing Director

Hong Kong, 28 March 2007