



NEW ENVIRONMENTAL ENERGY
HOLDINGS LIMITED

新環保能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股票代號 : 03989

Interim Report **2013**
中期報告



GREEN
Energy

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CORPORATE Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Chang Jian (*Chairman*)
Mr. Cao Guo Xian (*Chief Executive Officer*)
Mr. Liu Xiao Guang
Mr. Xue Huixuan

Non-executive Director

Mr. Lim Jui Kian

Alternate Non-executive Director

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

Independent Non-executive Directors

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

COMMITTEES

Audit Committee

Ms. Chan Yee Wah, Eva (*Chairman*)
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Mr. Lim Jui Kian

Nomination Committee

Mr. Yu Chang Jian (*Chairman*)
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Ms. Chan Yee Wah, Eva

Remuneration Committee

Mr. Pao Ping Wing (*Chairman*)
Mr. Cheng Kai Tai, Allen
Mr. Yu Chang Jian

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Yu Chang Jian
Ms. Wong Bing Ni

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1613-1618,
16th Floor,
Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

Conyers Dill and Pearman
Jun He Law offices

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Registrar in Hong Kong

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE WEBSITE

www.neeh.com.hk

STOCK CODE

03989



MANAGEMENT Discussion and Analysis

BUSINESS REVIEW

The economic outlook for 2013 remains uncertain. Sovereign debt problems in Europe, the fiscal cliff conundrum in the United States are amongst the main factors posing continual risks and uncertainties to the recovery and stability of major economies and financial markets around the world, despite the loose monetary measures taken by major central banks globally. In respect of the Group's waste treatment and waste-to-energy business, the Group is conservatively optimistic about the future development of the green energy industry. According to the "National Plan for Establishing Facilities for Treatment Of Urban Household Waste in a Non-Hazardous Way under the Twelfth Five-Year Plan" of the PRC issued in May 2012, the daily waste processing capacity of waste-to-energy shall be substantially increased from 89,625 tonnes at the end of 2010 to approximately 307,155 tonnes by the end of 2015 at an annual compound growth rate of approximately 28%.

In 2012, the PRC government ranked energy conservation and environmental protection first among the seven "Strategic Emerging Industries" under its "Twelfth Five-Year Plan". The National Development and Reform Commission has also refined the waste-to-energy tariff policy and provided concrete support to the environmental protection industry through special subsidies. In expectation of the great market potential underscored by favourable national policies, the Group will endeavour to seize opportunities in the environmental protection and alternative energy industries to deliver stronger results for its shareholders.

As at 30 June 2013, the Group had eight waste treatment projects that commanded a total investment of approximately RMB2,268 million. The facilities were designed with the annual capacity to process waste of approximately 2,008,050 tonnes which can generate on-grid electricity of approximately 377 million kWh annually.

BUSINESS PROSPECTS

If Beijing Dongcun Sorting Comprehensive Treatment Plant ("Beijing Plant") of the Group is put into commercial operation as soon as possible, the Group's further development will benefit from its operation. Beijing Plant is the first waste-to-energy project in the PRC applying the technology of anaerobic digestion. On 25 July 2013, the Company received a notice named "Notice of Accelerating the Construction of Dongcun Waste Sorting Comprehensive Treatment Plant" ("Notice") dated on 23 July 2013 from Beijing Municipal Commission of City Administration and Environment in relation to the amendments of the operational terms and conditions of Beijing Plant. The Notice states that:

- (1) The waste treatment capacity will increase from 650 tons per day to 930 tons per day;
- (2) The concessionary period will be 25 years commencing from 1 January 2014 to 31 December 2038;
- (3) The minimum guaranteed volume of waste treatment will increase from 360 tons per day to 500 tons per day.

The progress of the construction of the Beijing Plant is currently underway and is progressing in line with plan generally. The coming few months will be critical as far as completion of the construction of the Beijing Plant is concerned and the Group is continuously monitoring the ongoing progress closely such that the trial run operation can be successfully launched within the Group's anticipated timing in the first half of 2014.

The Xingtai Investment is pending for the final approval from the relevant PRC government authority. The Nanchang Solid Waste Incineration Power Generation Plant located in Nanchang Quanling will continue to be under construction in 2013 and expected to enter into the trial run stage in 2014.

The projects located in Shenzhen Pinghu and Guizhou Duyun and Weng'an are all in normal commercial operation.



Management Discussion and Analysis (Continued)

Looking ahead, with stronger supporting policies from the PRC government and the continued comprehensive support from the substantial shareholder, the Company is confident that the Company can realise the full potential of all the opportunities for future development. With rising growth momentum and strong competitive edge in the waste treatment industry, the management of the Group believes that once most of the existing projects commence operation, they will provide contribution to the Group. Thus, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

FINANCIAL REVIEW

OVERVIEW

The net loss attributable to the owners of the Company amounted to approximately HK\$48.4 million for the period under review.

WASTE TREATMENT AND WASTE TO ENERGY BUSINESS

During the period under review, the Group's revenue from its waste treatment and waste-to-energy business reached approximately HK\$22.7 million, representing increase of approximately 46.5%, as compared to same period last year.

For the period under review, its gross profit is approximately 12.7%.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses of the continuing operations decreased by approximately 5.6% to approximately HK\$32.1 million during the period under review.

FINANCE COSTS

Finance costs, for the Group's continuing operations, increased by approximately 57.8% to approximately HK\$36.3 million, as compared to the same period last year. This increase is mainly attributable to the increase in the interests on borrowings and convertible bonds.

FINANCIAL POSITION

As at 30 June 2013, the Group had total assets amounting to approximately HK\$1,874.3 million, with approximately HK\$18.7 million of net assets attributable to equity shareholders of the Company. The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, was approximately 0.05 as at 31 December 2012. Net gearing ratio has not been calculated as at 30 June 2013 as cash and cash equivalent exceeded borrowings as at 30 June 2013. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from approximately 1.08 as at 31 December 2012 to approximately 1.00 as at 30 June 2013.

FINANCIAL RESOURCES

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 30 June 2013, the Group had cash and bank balances of approximately HK\$961.7 million, representing an increase of approximately HK\$698.5 million as compared to approximately HK\$263.2 million at the end of 2012. The increase was mainly due to the proceeds received from rights issue and the new borrowings raised during the period under review. Currently, most of the Group's cash is denominated in HK dollars and RMB.



Management Discussion and Analysis (Continued)

BORROWINGS

As at 30 June 2013, the Group had outstanding borrowings of approximately HK\$753.6 million, representing an increase of approximately HK\$487.1 million as compared to approximately HK\$266.5 million at the end of 2012. The borrowings comprised secured loans of approximately HK\$599.8 million and unsecured loans of approximately HK\$153.8 million. The borrowings are denominated in HK dollars and RMB. Approximately 30.7% and 69.3% of the borrowings are at fixed rate and variable rate.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the 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 Group's operations. During the period, the 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 30 June 2013, the Group has no asset pledged.

CAPITAL COMMITMENT

As at 30 June 2013, the Group had capital commitment of approximately HK\$339.2 million in respect of the construction work under service concession arrangements, which were contracted but not provided for in the condensed consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group provide guarantees of approximately HK\$23.3 million to a bank in respect of banking facilities granted to an associate.

EMPLOYMENT INFORMATION

As at 30 June 2013, the Group had about 160 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

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



REPORT on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED**
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of New Environmental Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 7 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2013



CONDENSED Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operations			
Revenue	4	22,690	15,503
Cost of sales		(19,799)	(15,505)
Gross profit (loss)		2,891	(2)
Other income, gains and losses	5	(3,516)	7,028
Administrative expenses		(32,055)	(33,964)
Gain on fair value change of embedded derivatives	21	10,329	296
Share of results of an associate	14	6,964	4,113
Finance costs	6	(36,342)	(22,996)
Loss before tax		(51,729)	(45,525)
Income tax credit	7	1,217	1,435
Loss for the period from continuing operations		(50,512)	(44,090)
Discontinued operations			
Profit for the period from discontinued operations	8	—	4,852
Loss for the period	9	(50,512)	(39,238)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation:			
Exchange difference during the period		4,183	(291)
Exchange difference arising from an associate during the period		1,738	(1,195)
Reclassification adjustment upon disposal of subsidiaries		—	(3,607)
Other comprehensive income (expense) for the period		5,921	(5,093)
Total comprehensive expense for the period		(44,591)	(44,331)
(Loss) profit for the period attributable to:			
Owners of the Company		(48,376)	(41,135)
Non-controlling interests		(2,136)	1,897
		(50,512)	(39,238)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(42,098)	(46,228)
Non-controlling interests		(2,493)	1,897
		(44,591)	(44,331)



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2013

	NOTE	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited) (restated)
LOSS PER SHARE	11		
From continuing and discontinued operations			
Basic		HK(2.46) cents	HK(2.51) cents
Diluted		HK(2.46) cents	HK(2.51) cents
From continuing operations			
Basic		HK(2.46) cents	HK(2.80) cents
Diluted		HK(2.46) cents	HK(2.80) cents



CONDENSED Consolidated Statement of Financial Position

At 30 June 2013

	NOTES	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	15,708	15,965
Intangible assets		1,584	2,318
Prepaid lease payments		2,287	2,277
Amounts due from grantors for contract work	13	408,376	383,339
Amount due from an investee	17	46,070	45,267
Amount due from an associate	20	—	6,219
Interest in an associate	14	110,533	101,831
Deposits paid for construction of infrastructure in service concession arrangements	15	229,506	174,981
Deposits, prepayments and other receivables	16(b)	28,142	—
		842,206	732,197
Current assets			
Trade receivables	16(a)	566	7,411
Deposits, prepayments and other receivables	16(b)	38,435	32,267
Amounts due from grantors for contract work	13	10,341	9,453
Prepaid lease payments		52	52
Amount due from an associate	20	20,997	12,708
Bank balances and cash		961,673	263,239
		1,032,064	325,130
Current liabilities			
Trade payables	18(a)	24,580	23,863
Other payables and accruals	18(b)	599,216	42,326
Provisions	18(c)	207,558	192,969
Taxation payable		15,833	15,638
Borrowings	19	186,295	26,592
		1,033,482	301,388
Net current (liabilities) assets		(1,418)	23,742
Total assets less current liabilities		840,788	755,939



Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2013

	NOTES	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Non-current liabilities			
Convertible notes	22	160,287	150,400
Convertible bonds	21	78,550	252,200
Embedded derivatives	21	21,373	54,152
Borrowings	19	567,282	239,899
Deferred tax liabilities		6,670	8,071
		834,162	704,722
		6,626	51,217
Capital and reserves			
Share capital	23	186,226	186,226
Reserves		(167,576)	(125,478)
Equity attributable to owners of the Company		18,650	60,748
Non-controlling interests		(12,024)	(9,531)
		6,626	51,217



CONDENSED Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Share option reserve	Special reserve	Convertible notes equity reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (audited)	155,188	1,443,637	71,957	2,083	29,677	174,156	(1,795,260)	81,438	(18,708)	62,730
Loss for the period	—	—	—	—	—	—	(41,135)	(41,135)	1,897	(39,238)
Exchange differences on translation	—	—	(291)	—	—	—	—	(291)	—	(291)
Exchange differences arising from an associate on translation	—	—	(1,195)	—	—	—	—	(1,195)	—	(1,195)
Released on disposal of subsidiaries (Note 24(b))	—	—	(3,607)	—	—	—	—	(3,607)	—	(3,607)
Total comprehensive (expense) income for the period	—	—	(5,093)	—	—	—	(41,135)	(46,228)	1,897	(44,331)
Disposal of subsidiaries	—	—	—	(398)	(4,522)	—	4,920	—	—	—
Lapse of share options	—	—	—	(1,458)	—	—	1,458	—	—	—
At 30 June 2012 (unaudited)	155,188	1,443,637	66,864	227	25,155	174,156	(1,830,017)	35,210	(16,811)	18,399
At 1 January 2013 (audited)	186,226	1,542,219	68,701	227	25,155	174,156	(1,935,936)	60,748	(9,531)	51,217
Loss for the period	—	—	—	—	—	—	(48,376)	(48,376)	(2,136)	(50,512)
Exchange differences on translation	—	—	4,540	—	—	—	—	4,540	(357)	4,183
Exchange differences arising from an associate on translation	—	—	1,738	—	—	—	—	1,738	—	1,738
Total comprehensive (expense) income for the period	—	—	6,278	—	—	—	(48,376)	(42,098)	(2,493)	(44,591)
Disposal of subsidiary	—	—	—	—	(25,155)	—	25,155	—	—	—
At 30 June 2013 (unaudited)	186,226	1,542,219	74,979	227	—	174,156	(1,959,157)	18,650	(12,024)	6,626

Note:

- (a) The special reserve previously represents the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper Holdings Limited ("Full Prosper") acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition. The amount was reclassified to accumulated losses when Full Prosper was disposed as disclosed in Note 24(a).



CONDENSED Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(22,146)	(29,624)
NET CASH USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,075)	(2,585)
Disposal of subsidiaries	24(b)	—	5,882
Deposits paid to contractors for construction of infrastructure in service concession arrangements		(73,467)	(15,534)
Deposits paid for acquisition of potential acquiree	16(b)	(12,642)	—
Advance to potential acquiree	16(b)	(15,500)	—
Advance to an associate		(2,528)	(18,654)
Other investing cash flows		1,131	157
		(104,081)	(30,734)
NET CASH FROM FINANCING ACTIVITIES			
Repayment of borrowings		(2,377)	—
New borrowings raised		485,942	48,228
Proceeds from rights issue completed after the end of the reporting period		553,891	—
Payment for redemption of convertible bonds		(210,475)	—
Share issuance expenses		(2,385)	—
Other financing cash flows		—	(2)
		824,596	48,226
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		698,369	(12,132)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		65	532
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		263,239	54,859
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		961,673	43,259



NOTES to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

Adoption of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with condensed consolidated financial statements and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

Based on the existing group structure, the application of these five standards is not expected to have a significant impact on the amounts reported in the condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The directors of the Group are of the opinion that the application of HKFRS 13 has no material impact on the Group's fair value measurement as set out in these condensed consolidated financial statements of the Group.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION

The Group has been operating with one reportable and operating segment, being the waste treatment and waste-to-energy business after the disposal of trading of apparel and accessories business in the prior period as disclosed in Notes 8 and 24(b). Trading of apparel and accessories business was another reportable and operating segment considered as discontinued operations in the prior period. Since there is only one reportable and operating segment, no segment information is provided.

4. REVENUE

An analysis of the Group's revenue for the period from continuing operations is as follows:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operations		
Provision of construction services under service concession arrangements	19,423	15,503
Provision of operation services under service concession arrangements	2,370	—
Consultancy fee income	897	—
	22,690	15,503

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operations		
Bank interest income	359	78
Interest income received from an associate	727	728
Effective interest income on amounts due from grantors for contract work	11,130	6,111
Gain on redemption of Convertible Bonds I (Note 21)	3,217	—
Impairment loss recognised in respect of trade receivables (Note 16(a))	(7,536)	—
Provision for penalty charges in relation to construction of waste-to-energy plant (Note 13)	(11,418)	—
Others	5	111
	(3,516)	7,028



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

6. FINANCE COSTS

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operations		
Interests on:		
Borrowings	8,863	2,531
Convertible bonds	17,592	11,770
Convertible notes	9,887	8,695
	36,342	22,996

7. INCOME TAX CREDIT

Continuing operations

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits arising from Hong Kong for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate applicable to the Group's subsidiaries in the PRC is 25%.

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Income tax credit relating to continuing operations		
Current income tax:		
PRC Enterprise Income Tax ("EIT")	414	—
Deferred tax:		
Current period	(1,631)	(1,435)
	(1,217)	(1,435)

8. DISCONTINUED OPERATIONS

As mentioned in Note 24(b) to the condensed consolidated financial statements, the Group disposed of its wholly-owned subsidiary, Hembly Garment Manufacturing Limited ("Hembly Garment"), and its subsidiary, 恆華(南京)服飾有限公司 (Heng Hua (Nanjing) Apparel Co., Ltd.*) ("Heng Hua"), for a cash consideration of approximately HK\$12,000,000, to an independent third party on 22 February 2012. Details of the disposal agreement are set out in the Company's announcement dated on 2 December 2011. The trading of apparel and accessories operation is treated as discontinued operations. The details of the disposal and the net assets being disposed of are detailed in Note 24(b).



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

8. DISCONTINUED OPERATIONS (Continued)

The profit from the discontinued operations for the six months ended 30 June 2012 was as follows:

	Six months ended 30 June 2012 HK\$'000 (unaudited)
Gain on disposal of subsidiaries (Note 24(b))	4,567
Profit for the period from discontinued operations	<u>285</u>
	<u><u>4,852</u></u>

The results of the Group's trading of apparel and accessories operation for the six months ended 30 June 2012 was as follows:

	Six months ended 30 June 2012 HK\$'000 (unaudited)
Other income, gains and losses	968
Administrative expenses	<u>(683)</u>
Profit for the period from discontinued operations	<u><u>285</u></u>

* For identification purpose only

9. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Continuing operations		
Director's and chief executives' emoluments	2,772	2,840
Staff's salaries and allowances	10,580	7,524
Retirement benefit scheme contribution	1,659	1,493
Total staff costs	<u>12,239</u>	<u>9,017</u>
Auditor's remuneration	668	600
Depreciation of property, plant and equipment	1,415	976
Rental expenses	2,337	1,344
Amortisation of intangible assets (included in cost of sales)	734	734
Legal and professional fees	<u>3,369</u>	<u>9,626</u>



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

10. DIVIDEND

No dividend was paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	(48,376)	(41,135)
Number of shares	2013 '000	2012 '000 (restated)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (Note)	1,969,709	1,641,425

Note:

The weighted average numbers of ordinary shares for the purposes of basic and diluted loss per share have been adjusted for the bonus element of the rights issue as detailed in Note 30(i).

The computation of diluted loss per share does not assume the exercise of outstanding share options of the Company and the conversion of the outstanding convertible bonds and convertible notes of the Company since their assumed exercise would result in a decrease in loss per share.

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Loss for the period attributable to owners of the Company	(48,376)	(41,135)
Less: Profit for the period from discontinued operations	—	4,852
Loss for the purposes of basic and diluted loss per share from continuing operations	(48,376)	(45,987)

The denominators used are the same as those detailed above for basic and diluted loss per share.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

11. LOSS PER SHARE (Continued)

From discontinued operations

For the six months ended 30 June 2012, basic and diluted earnings per share from discontinued operations is HK0.29 cents (restated) per share, based on the profit for the period from discontinued operations of approximately HK\$4,852,000 and the denominators detailed above for both basic and diluted loss per share.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group wrote off of certain plant and machinery with an aggregate carrying amount of HK\$152,000. During the six months ended 30 June 2012, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK\$479,000, with cash consideration of HK\$323,000, resulting in loss on disposal of HK\$156,000.

During the current interim period, the Group acquired leasehold improvements, furniture, fixtures and equipment and motor vehicles of approximately HK\$121,000, HK\$472,000 and HK\$482,000 respectively (for the six months ended 30 June 2012: HK\$458,000, HK\$1,417,000 and HK\$710,000 respectively).

13. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

Amounts due from grantors for contract work represent a) costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plant in the PRC on a build-operate-transfer (“BOT”) basis, plus attributable profits on the services provided; b) arising from acquisition of subsidiaries during the year ended 31 December 2012. Revenues and costs relating to the construction phase of the contract are accounted for in accordance with HKAS 11. Revenue and costs relating to the operating phase of the contract are accounted for in accordance with HKAS 18.

Several subsidiaries of the Company entered into service concession arrangements with certain government authorities in the PRC (“Grantors”) in respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, and to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rates ranged from 3.6% to 11.7% during the six months ended 30 June 2013 (as at 31 December 2012: ranged from 3.6% to 4.3%).

During the operation phase of the respective service concession periods, the Group will receive guaranteed receipts of waste treatment fee from the grantors calculated by multiplying the minimum level of municipal waste to be processed per day at a pre-determined waste treatment fee per tonne as specified in all service concession agreements. In addition, for two service concession arrangements of 北京市一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Co., Ltd.*) and 南昌百瑪士綠色能源有限公司 (Nanchang Biomax Green Energy Co., Ltd.*), the Group has the right to charge on-grid electricity tariff from users after commencement of operation phase of the waste-to-energy plants. The directors of the Company considers that the possibility of exceeding the threshold (minimum level of municipal waste to be processed per day) of these projects is remote at this stage and hence no intangible assets are recognised.

The Group recognised revenue from construction services of approximately HK\$19,423,000 (for the six months ended 30 June 2012: HK\$15,503,000) by reference to the stage of completion of the construction work and revenue from operation services of approximately HK\$2,370,000 (for the six months ended 30 June 2012: Nil).



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

13. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK (Continued)

Provision for penalty charges is based on penalty clause stated in the service concession agreement of Beijing Dongcun, Sorting Comprehensive Treatment Plant ("Beijing Plant") at RMB350,000 per week starting from the original commencement date of operation in January 2009. The provision for penalty charges of HK\$11,418,000 (for the six months ended 30 June 2012: Nil) was recognised for the period ended 30 June 2013.

Provision for future loss in construction services is based on the difference between revenue and budgeted cost to be generated and incurred respectively from the commencement date of construction to the completion of construction of the Beijing Plant. No provision for the expected loss of the construction services was recognised for the periods ended 30 June 2013 and 2012.

Pursuant to the service concession agreements, the Group is required to surrender these waste treatment and waste-to-energy plants to the grantors at a specified level of serviceability at the end of the respective service concession periods. As at 30 June 2013, provision of approximately HK\$1,011,000 (as at 31 December 2012: HK\$995,000) (see Note 18(c)) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

* For identification purpose only

14. INTEREST IN AN ASSOCIATE

As at 30 June 2013, the Group held 46% (2012: 46%) equity interest in 深圳粵能環保再生能源有限公司 (Shenzhen Yueneng Waste-to-Energy Ltd.*)"("SZ Yueneng"). SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis. The share of profits of an associate of approximately HK\$6,964,000 is recognised for the six months ended 30 June 2013 (for the six months ended 30 June 2012: HK\$4,113,000).

* For identification purpose only

15. DEPOSITS PAID FOR CONSTRUCTION OF INFRASTRUCTURE IN SERVICE CONCESSION ARRANGEMENTS

The amount represents deposits to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements of approximately HK\$229,506,000 (2012: HK\$174,981,000).

Included in the deposits balance are deposits paid to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute*) ("Urban Construction Institute"), with aggregate carrying amount of approximately HK\$157,585,000 (2012: HK\$155,037,000) which is subject to arbitration proceedings as at the end of the reporting period. During the period ended 30 June 2013, the arbitration committee, 南昌仲裁委員會 (Nanchang Arbitration Committee*) has issued the first order which determined that the contract entered into between the Group and Urban Construction Institute was invalid. In accordance with the legal opinion provided by a firm of independent lawyers not connected to the Group, the amount should be refunded to the Group taking into account the outcome of the first order. However, the refundable amount is yet to be finalised by the arbitration. The estimated recoverable amount of the deposits of approximately HK\$157,585,000 as at 30 June 2013 is expected to be recovered by the directors of the Company, taking into account the legal opinion provided by the independent lawyer.

* For identification purpose only



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

16. TRADE RECEIVABLES/DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

The Group allows an average credit period of 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Within 90 days	566	—
Over 360 days	—	7,411
	566	7,411

During the period ended 30 June 2013, net impairment losses of approximately HK\$7,536,000 in respect of trade receivable due from 北京市大興區政府採購中心 (Beijing Da Xing Government Procurement Center*), is recognised in profit or loss after consideration of the credit quality of this individual customer based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of this receivable.

(b) Deposits, prepayments and other receivables

The amounts included in current assets mainly represented advances to suppliers of approximately HK\$26,775,000 (2012: HK\$25,877,000), and prepaid profit tax of HK\$1,502,000 (2012: HK\$1,502,000).

Included in non-current assets, (i) approximately HK\$12,642,000 (2012: Nil) deposit was paid for the acquisition of equity interests of potential acquiree based on the letter of intent dated on 6 June 2013, which will be considered as part of the consideration if a share purchase agreement is signed within three months after June 2013, which has not been signed up to the issue of these condensed consolidated financial statements and (ii) approximately HK\$15,500,000 (2012: Nil) advance to 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) ("Huizhou Guanghui") which is unsecured and interest free during current interim period. For the details of acquisition of Huizhou Guanghui, please refer to Note 30(iii).

* For identification purpose only



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

17. AMOUNT DUE FROM AN INVESTEE

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Trade receivable		
Shanghai Biomax Green Energy Park Company Limited ("SH Biomax GEP")	20,018	19,694
Other receivable		
SH Biomax GEP	40,647	40,168
Less: accumulated impairment loss recognised (Note)	(14,595)	(14,595)
	46,070	45,267

Note:

The receivables due from SH Biomax GEP, a fully impaired available-for-sale investment of the Group, has been past due over 3.5 years (2012: over 3 years). The other receivables due from SH Biomax GEP is unsecured and interest free. No impairment loss was recognised in the profit and loss during the period ended 30 June 2013 (during the year ended 31 December 2012: HK\$14,595,000).

18. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS/PROVISIONS

(a) Trade payables

The following is an analysis of trade payables by age, presented based on the invoice date:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Within 90 days	45	295
91–180 days	—	41
181–360 days	263	616
Over 360 days	24,272	22,911
	24,580	23,863

(b) Other payables and accruals

The amounts mainly represented receipt in advance for subscription of rights shares of approximately HK\$553,891,000, where the rights issue become unconditional in July 2013 (2012: Nil) (see Note 30(i)), accrued interest of approximately HK\$12,243,000 (2012: HK\$6,393,000), accrued professional fee of approximately HK\$3,312,000 (2012: HK\$5,112,000), business tax payable of approximately HK\$5,331,000 (2012: HK\$5,273,000) and construction payable of approximately HK\$16,479,000 (2012: HK\$11,082,000).



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

18. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS/PROVISIONS (Continued)

(c) Provisions

The amounts mainly represented expected loss relating to service concession arrangements of Beijing Plant of approximately HK\$91,569,000 (2012: HK\$90,088,000), provision for penalty charges of approximately HK\$114,978,000 (2012: HK\$101,886,000) and provision for maintenance of approximately HK\$1,011,000 (2012: HK\$995,000).

19. BORROWINGS

During the current interim period, the Group obtained the following new borrowings:

- (i) The Group entered into a variable-rate loan agreement with 北京銀行股份有限公司 (Bank of Beijing Company Limited*) for the borrowing of RMB300,000,000 (approximately HK\$379,267,000) that are repayable by instalments starting from the year of 2015 until 2021. The proceeds was used to finance the construction of 南昌市垃圾焚燒發電廠 (Nanchang Solid Waste Incineration Power Generation Plant*). The balance is guaranteed by Shanghai Environmental Biomax Investment Ltd, a subsidiary of the Company, and carries interest at PRC benchmark loan rate.
- (ii) The Group entered into a variable-rate loan agreement with the substantial shareholder, Beijing Capital (HK) Limited ("Beijing Capital HK"), of the Group, of HK\$50,000,000 for the repayment of the Convertible Bonds I due to Waste Resources GP Limited. The balance is unsecured and carries interest at Hong Kong Interbank Offered Rate plus 3.8% per annum.
- (iii) The Group entered into a fixed rate loan agreement of HK\$30,000,000 with Quam Finance Limited, a non-related party of the Group, for the repayment of the Convertible Bonds I due to Waste Resources GP Limited. The balance is unsecured and carries interest at fixed rate of 1% per month. Subsequent to the period ended 30 June 2013, the amount was fully settled in accordance to the loan agreement.
- (iv) The Group entered into a fixed rate loan agreement of RMB21,100,000 (approximately HK\$26,675,000) with China Guangfa Bank, a non-related party of the Group, for operating purpose, that will be due in September 2013. The balance is secured by corporate guarantee of intermediate holding company of the Company and carries interest at fixed rate of 5.6% per annum.

During the current interim period, the Group has repayment of the borrowings of approximately HK\$2,377,000 (2012: Nil).

* For identification purpose only

20. AMOUNT DUE FROM AN ASSOCIATE

In prior periods, the Group entered into two loan agreements with the associate for the unsecured loan amounts of RMB5,000,000 (approximately HK\$6,321,000) and RMB11,100,000 (approximately HK\$14,033,000) in which loan facility of RMB2,000,000 is not yet utilised as at 31 December 2012.

In respect of the loan of RMB5,000,000, it carried floating interest based on PRC benchmark rate and is repayable on 4 January 2014. While the loan facility of RMB11,100,000 is carried fixed interest rate of 18% per annum and is repayable on 11 June 2013.

During the period ended 30 June 2013, the associate drawn down the remaining loan facility of RMB2,000,000 (approximately HK\$2,528,000) from the Group, which carried fixed interest rate of 18% per annum and is repayable on 11 June 2013. On 5 June 2013, the Group entered into a supplemental agreement for (i) extension of maturity date of outstanding loan amount of RMB11,100,000 to 11 June 2014 and (ii) change of term of floating interest based on the PRC benchmark rate.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

21. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES

Same as disclosed in the Company's 2012 annual report relating to the convertible bonds/embedded derivatives, except for the following.

The movement of the liability component and embedded derivatives of the convertible bonds for the period are set out as below:

	Liability component	Embedded derivatives
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2012 (audited)	252,200	54,152
Redemption on 4 June 2013 (Note)	(191,242)	(22,450)
Effective interest charged to profit or loss (Note 6)	17,592	—
Gain on fair value change of embedded derivatives	—	(10,329)
	<u>78,550</u>	<u>21,373</u>
At 30 June 2013 (unaudited)	<u>78,550</u>	<u>21,373</u>

Note: On 4 June 2013, the Group has paid a redemption amount of approximately HK\$210,475,000 for the redemption of Convertible Bonds I with a principal amount of HK\$156,000,000, which includes liability component of HK\$191,242,000 and embedded derivatives of HK\$22,450,000 as at 4 June 2013. Gain on redemption of Convertible Bonds I of HK\$3,217,000 was resulted.

The fair values of the embedded derivatives at 31 December 2012 and 4 June 2013 for Convertible Bonds I and 31 December 2012 and 30 June 2013 for Convertible Bonds II were determined by reference to a valuation conducted by a firm of independent valuers using Binomial Option Pricing Model. The inputs and methodology used for the calculation of the fair values of the embedded derivatives were as follows:

	4 June 2013	31 December 2012
Convertible Bonds I		
Share price	HK\$0.265	HK\$0.345
Risk-free rate	0.214%	0.117%
Time to maturity	1.79 years	2.29 years
Dividend yield	0%	0%
Volatility	69.56%	58.18%
	30 June 2013	31 December 2012
Convertible Bonds II		
Share price	HK\$0.219	HK\$0.345
Risk-free rate	0.291%	0.117%
Time to maturity	1.5 years	2 years
Dividend yield	0%	0%
Volatility	72.17%	58.18%

At 30 June 2013, Convertible Bonds II with principal amount of HK\$100,000,000 remained outstanding with Beijing Capital HK (31 December 2012: Convertible Bonds II with principal amount of HK\$100,000,000 and Convertible Bonds I with principal amount of HK\$156,000,000 remained outstanding with Beijing Capital HK and Waste Resources G.P. Limited, respectively).



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

22. CONVERTIBLE NOTES

Same as disclosed in the Company's 2012 annual report relating to the Convertible Notes, except for the following.

The movements of the liability component and equity component of Convertible Notes for the period are set out below:

	<i>HK\$'000</i>
Liability component	
At 31 December 2012	150,400
Effective interest charged to profit or loss (Note 6)	9,887
At 30 June 2013	<u>160,287</u>
Equity component	
At 31 December 2012 and 30 June 2013	<u>174,156</u>

At 30 June 2013 and 31 December 2012, Convertible Notes with principal amounts of HK\$177,000,000 and HK\$16,000,000 remained outstanding with Beijing Capital HK and Winner Performance Limited respectively. Subsequent to the period ended 30 June 2013, outstanding principal amount of Convertible Notes of HK\$177,000,000 is offsetted with the net proceeds from rights issues in accordance with the terms of the underwriting agreement signed between the Company and Beijing Capital HK. For the details, please refer to Note 30(i).

23. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised:		
As at 1 January 2012	2,000,000,000	200,000
Increase	4,000,000,000	400,000
As at 30 June 2012	<u>6,000,000,000</u>	<u>600,000</u>
As at 1 January 2013 and 30 June 2013	<u>6,000,000,000</u>	<u>600,000</u>
Issued and fully paid		
As at 1 January 2012 and 30 June 2012	<u>1,551,881,039</u>	<u>155,188</u>
As at 1 January 2013 and 30 June 2013	<u>1,862,257,039</u>	<u>186,226</u>



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

24. DISPOSAL OF SUBSIDIARIES

- (a) On 1 June 2013, the Group entered into a disposal agreement to dispose of its wholly-owned subsidiary, Full Prosper, which was a dormant company, to an independent third party, for a cash consideration of approximately HK\$8. The transaction was completed on 25 June 2013.

The Group's share of net assets of Full Prosper at the date of disposal and the effect of disposal are as follows:

	<i>HK\$'000</i>
<hr/>	
Net assets disposed of:	
Bank balances and cash	61
Other payables	(61)
	<hr/>
	—
	<hr/>
Satisfied by:	
Cash	—
	<hr/>
	—
Net cash outflow arising on disposal:	
Cash consideration	—
Bank balances and cash disposed of	(61)
	<hr/>
	(61)
	<hr/>

The subsidiary disposed of during the period contributed no revenue and losses to the Group.

- (b) On 2 December 2011, the Group entered into a disposal agreement to dispose of its wholly-owned subsidiaries, Hembly Garment and its subsidiary, Heng Hua, which were principally engaged in the trading of apparel and accessories, to an independent third party, for a cash consideration of approximately HK\$12,000,000.

The disposal of Hembly Garment is conditional upon, among other things, the approval by shareholders at a general meeting of the Company. The disposal of Hembly Garment was approved by the shareholders at an extraordinary general meeting of the Company on 16 January 2012 and completed on 22 February 2012.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

24. DISPOSAL OF SUBSIDIARIES (Continued)

(b) (Continued)

The Group's share of net assets of Hembly Garment at the date of disposal and the effect of disposal are as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	326
Trade receivables	24,630
Other receivables	5,015
Amount due from a shareholder	28
Bank balances and cash	118
Trade payables	(7,388)
Accruals	(9,110)
Taxation payable	(2,520)
Obligations under finance leases	(59)
	<u>11,040</u>
Release of translation reserve	(3,607)
Gain on disposal of subsidiaries (Note 8)	<u>4,567</u>
Total consideration	<u><u>12,000</u></u>
Satisfied by:	
Cash	6,000
Deferred consideration (Note)	<u>6,000</u>
	<u><u>12,000</u></u>
Net cash inflow arising on disposal:	
Cash consideration	6,000
Bank balances and cash disposed of	<u>(118)</u>
	<u><u>5,882</u></u>

Note: The deferred consideration was settled during the year ended 31 December 2012.

The subsidiaries disposed of contributed no revenue to the Group and a profit of approximately HK\$285,000 to the Group during the six months ended 30 June 2012.

No tax charge or credit arose on gain on the disposal.

25. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors and employees of the Group. The number of share options outstanding and exercisable held by the Group's directors and employees at 1 January 2013 and 30 June 2013 are 4,101,532.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

26. CAPITAL COMMITMENTS

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of construction work under service concession arrangements	339,158	518,426

27. OTHER COMMITMENTS

- (a) On 18 October 2011, a wholly owned subsidiary of the Company and Guangdong Environmental Engineering & Equipment General Corporation received a notice of successful tender from Guangzhou City Management Committee, a government authority, to set up a project company with a registered capital of not less than RMB97,870,000 (approximately HK\$123,729,000) which is responsible for building and operating the Guangzhou Likeng Waste Treatment project under a BOT arrangement with a concessionary period of 25 years. 30% of the registered capital of the project company will be contributed by the wholly owned subsidiary of the Company. As at 30 June 2013, the project company has not yet been set up.
- (b) In August 2012, a subsidiary of the Company received a notice of successful tender from 河北省成套招標有限公司 (Hebei Province Tendering Company Limited*) for a waste treatment project located in Xingtai, Hebei with concession period of 30 years ("Xingtai Project"). The total investment in Xingtai Project is estimated to be approximately RMB330,000,000 (approximately HK\$417,193,000). As at 30 June 2013, the subsidiary is still under negotiation with the relevant PRC government authority for finalising the terms of the agreement.
- (c) As at 30 June 2013, according to the conditional share purchase agreements dated on 24 August 2012, the Group is required to acquire the remaining equity interest of 10% of 都勻市科林環保有限公司 (Duyun Kelin Environmental Company Limited*) and 20% of 襄安縣科林環保有限公司 (Weng'an Kelin Environmental Company Limited*), respectively, from Beijing Kelin Haohua Environment Technology Development Company Limited at a consideration of RMB3,300,000 (approximately HK\$4,172,000) and RMB4,200,000 (approximately HK\$5,310,000) respectively if certain conditions are fulfilled. The transactions have not yet been completed as at 30 June 2013 because the conditions precedent have not satisfied.

* For identification purpose only

28. CONTINGENT LIABILITIES

At 30 June 2013, the Group provided guarantees of approximately HK\$23,262,000 (31 December 2012: HK\$22,886,000) to a bank in respect of banking facilities granted to an associate and amount of approximately HK\$16,841,000 (31 December 2012: HK\$18,148,000) has been utilised. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

29. RELATED PARTY TRANSACTIONS

During the period, in addition to the balances disclosed in Notes 17, 19, 20, 21 and 22, the Group entered into the following significant transactions with related parties:

- (i) The transactions and balances with government-related entities are listed below:

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). A substantial shareholder with significant influence to the Company, Beijing Capital HK, is a company incorporated in Hong Kong with limited liabilities, is ultimately controlled by the PRC government. The ultimate parent of Beijing Capital HK is Beijing Capital Group Co., Ltd, which is controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

- (a) Transactions and balances with Beijing Capital HK:

Name of the related party	Nature of the transactions	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Entity holding over 10% of the company's share capital:			
Beijing Capital HK	Interest expenses (Note)	4,430	1,485
	Rental expenses (Note)	480	480

Note: The interest and rentals were charged in accordance with the relevant agreements.

As at 30 June 2013, Beijing Capital HK has granted the Group a three-year term facility of RMB300,000,000 (approximately HK\$379,267,000) from 20 December 2011 to 20 December 2014 in which RMB97,000,000 (approximately HK\$122,630,000) has been utilised as at 30 June 2013.

- (b) Transactions and balances with other government-related entities:

During the six months ended 30 June 2013, the Group recognised revenue from the construction services and operating services of approximately HK\$19,423,000 (for the six months ended 30 June 2012: HK\$15,503,000) and HK\$2,370,000 (for the six months ended 30 June 2012: Nil) respectively under service concession arrangements with the local governments in PRC (see Note 13).

As at 30 June 2013 and 31 December 2012, the deposits paid for construction of infrastructure in service concession arrangements with the government-related entity, Urban Construction Institute, is disclosed in the Note 15.

The Group maintained most of its bank deposits in government-related financial institutions associated with the respective interest income received while banking facility of the Group obtained is also from a government-related financial institution.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

29. RELATED PARTY TRANSACTIONS (Continued)

(i) The transactions and balances with government-related entities are listed below: (Continued)

(b) Transactions and balances with other government-related entities: (Continued)

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

(ii) The transactions and balances with non government-related entities which are related to the Group are listed below:

Name of the related parties	Nature of the transactions	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Associate: SZ Yueneng	Interest income (Note)	727	728
Entity holding over 10% of the company's share capital: Simple Success Investment Limited	Interest expenses (Note)	1,046	1,046

Note: The interest was charged in accordance with the relevant loan agreement.

Details of the outstanding balances with SZ Yueneng is set out in Note 20.

(iii) The remuneration of key management personnel during the period was as follows:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Short-term benefits	4,347	4,230
Post-employment benefits	—	—
	4,347	4,230



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

30. EVENTS AFTER THE END OF REPORTING PERIOD

(i) Rights issue

On 8 July 2013, the Company issued 2,793,385,557 ordinary shares of the Company (the "Rights Shares") on the basis of three Rights Shares for every two ordinary shares of the Company held on 13 June 2013 at a subscription price of HK\$0.2 per share (the "Rights Issue"). The net proceeds from the Rights Issue after (i) deducting the relevant expenses and (ii) off-setting the outstanding principal amount of the Convertible Notes of HK\$177,000,000 held by Beijing Capital HK in accordance with the terms of the underwriting agreement signed between the Company and Beijing Capital HK on 27 February 2013 amounted to HK\$377,700,000.

During the period ended 30 June 2013, the proceeds from Rights Issue in progress of HK\$553,891,000 were received, which is refundable and classified as other payables as at 30 June 2013. Subsequent to the period ended 30 June 2013, the Rights Issue become unconditional in July 2013.

As a result of the Rights Issue, adjustments were made to (i) the exercise price and number of shares to be allotted and issued under the outstanding share options; and (ii) the conversion price of the Convertible Bonds II and Convertible Notes.

As at 8 July 2013, the exercise price and number of shares to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options would be adjusted as follows:

Share options	Date of grant of the share options	Exercise period	Exercise price per share before adjustment HK\$	Adjusted exercise price per share HK\$	Number of share options before adjustment	Adjusted number of shares of options
Mr. Marcello Appella (Note)	18 August 2008	18/8/2008– 17/8/2018	1.5581	1.3833	201,532	227,000
Employees in aggregate	6 September 2010	6/9/2010– 5/9/2015	0.501	0.4448	3,900,000	4,392,843

Note: Mr. Marcello Appella resigned from his position as a director on 6 June 2013. He may only exercise any outstanding exercisable share options held by him within three months following the date of his cessation as a director (being on or before 5 September 2013), but not thereafter. Any outstanding share options held by Mr. Marcello Appella which are not exercised by 5 September 2013 will be cancelled thereafter.

As at 8 July 2013, the conversion price of the Convertible Bonds II and Convertible Notes would be adjusted from HK\$0.4 per share and HK\$1.13 per share to HK\$0.29 per share and HK\$0.85 per share, respectively, as a result of the Rights Issue.



Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2013

30. EVENTS AFTER THE END OF REPORTING PERIOD (Continued)

(ii) Beijing Plant

On 25 July 2013, the Company received a notice named "Notice of Accelerating the Construction of Dongcun Waste Sorting Comprehensive Treatment Plant" ("Notice") dated on 23 July 2013 from Beijing Municipal Commission of City Administration and Environment in relation to the amendments of the operational terms and conditions of Beijing Plant, in which the Group currently owns 60% interest. The Notice states that:

- (1) The concessionary period will be 25 years commencing from 1 January 2014 to 31 December 2038;
- (2) The minimum guaranteed volume of municipal waste will be 500 tons per day.

The directors of the Company estimates that the abovementioned changes may have an effect on the operating and financial situation of the Company, especially the change of the concessionary period, the Company may possibly write back partial or whole amount of the provisions made for Beijing Plant during the past financial years. However, the amount of the provisions to be written back are subject to further studies and confirmations receiving from certain professional institutes including but not limit to the legal advisor, the external auditor and the financial advisor of the Company. With the support of the relevant parties, the management of the Company will actively give impetus to the construction of Beijing Plant so as to commencing the commercial operation as soon as possible.

(iii) Acquisition of Huizhou Guanghui

On 9 August 2013, the Group entered into an acquisition agreement with Richway Investment Management Limited and Huizhou Energy(s) Pte. Limited ("Vendor"), independent third parties, to acquire 97.85% equity interest in Huizhou Guanghui, which is engaged in waste treatment and waste-to-energy generation project, for a cash consideration of RMB20,000,000 (approximately HK\$25,300,000). Apart from the payment of the consideration, the Group has agreed to acquire the liabilities of Huizhou Guanghui, including amount due to companies controlled by the Vendor and other payables, amounted to approximately RMB197,000,000 (approximately HK\$249,100,000). Details of the acquisition agreement are set out in the Company's announcement dated 19 August 2013. The acquisition is pending for approval of shareholders and still in progress up to the issue of these condensed consolidated financial statements.



DISCLOSURE of Interests and Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2013, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares or underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholdings
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 1)	3,623,935,961(L)	194.59%
Beijing Capital Company Limited	Interest of a controlled corporation (Note 1)	3,633,219,961(L)	195.09%
北京首都創業集團有限公司	Interest of a controlled corporation (Note 1)	3,633,219,961(L)	195.09%
Simple Success Investments Limited	Beneficial owner (Note 2)	270,760,000(L)	14.54%
New World Strategic Investment Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	14.54%
New World Development Company Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	14.54%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	14.54%
Chow Tai Fook (Holding) Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	14.54%
Chow Tai Fook Capital Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	14.54%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	14.54%
Cheng Yu Tung Family (Holdings II) Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	14.54%
Best View Enterprises Limited	Beneficial owner and person having security interest (Note 3)	221,308,205(L)	11.88%
Chow Tai Fook Nominee Limited	Interest of a controlled corporation (Note 3)	221,308,205(L)	11.88%
Mr. Cheng Yu Tung	Interest of a controlled corporation (Note 3)	221,308,205(L)	11.88%
Year Good Group Limited	Beneficial owner (Note 4)	127,244,000(L)	6.83%
Mr. Lau Andrew Kim	Interest of a controlled corporation (Note 4)	127,244,000(L)	6.83%
Favor Action Limited	Beneficial owner (Note 5)	110,000,000(L)	5.91%
Mr. Yang Zhi You	Interest of a controlled corporation (Note 5)	110,000,000(L)	5.91%

(L) denotes a long position



Disclosure of Interests and Other Information (Continued)

Notes:

1. These Shares represent 299,022,000 Shares, 406,637,168 underlying Shares which may be issuable upon conversion of all the outstanding amounts of convertible notes and convertible bonds and 2,918,276,793 underlying Shares which may be issuable under an underwriting agreement held by Beijing Capital HK, which was a wholly-owned subsidiary of Beijing Capital Co., Ltd., and 9,284,000 Shares held by BC Water Investments Co., Ltd., an indirect wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital Co., Ltd. in turn non-wholly owned by 北京首都創業集團有限公司. As such, Beijing Capital Co., Ltd. and 北京首都創業集團有限公司 were deemed to have interest in the said Shares and underlying Shares held by Beijing Capital HK and BC Water Investments Co., Ltd. for the purposes of the SFO.
2. These Shares represent 270,760,000 Shares held by Simple Success Investments Limited, which was a wholly-owned subsidiary of New World Strategic Investment Limited, which was in turn wholly-owned by New World Development Company Limited. Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited hold 48.98% and 46.65% interests in Chow Tai Fook Capital Limited, respectively. Chow Tai Fook Capital Limited in turn owns 74.07% interest in Chow Tai Fook (Holding) Limited which holds the entire interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited. As such, Cheng Yu Tung Family (Holdings II) Limited, Cheng Yu Tung Family (Holdings) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, New World Strategic Investment Limited were deemed to have interest in the said Shares held by Simple Success Investments Limited for the purposes of the SFO.
3. These Shares represent 221,308,205 Shares held by Best View Enterprises Limited and Best View Enterprises Limited is wholly owned by Chow Tai Fook Nominee Limited, which is in turn controlled by Mr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Mr. Cheng Yu Tung were deemed to have interest in the said Shares and underlying Shares that Best View Enterprises Limited for the purpose of the SFO.
4. These Shares were held by Year Good Group Limited, which was wholly owned by Mr. Lau Andrew Kim. As such, Mr. Lau Andrew Kim was deemed or taken to be interested in the Shares by Year Good Group Limited for the purpose of the SFO.
5. These Shares were held by Favor Action Limited, which was wholly owned by Mr. Yang Zhi You. As such, Mr. Yang Zhi You was deemed or taken to be interested in the Shares by Favor Action Limited for the purpose of the SFO.

Save as aforesaid and as disclosed in the "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" section above, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 30 June 2013 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.



Disclosure of Interests and Other Information (Continued)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices.

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period under review.

CHANGES IN INFORMATION OF DIRECTORS

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's 2012 annual report:

Name of Director	Details of Changes
Mr. Marcello Appella	Resignation as an executive director of the Company on 6 June 2013
Mr. Tang Zhi Bin	Retirement as an executive director of the Company on 27 June 2013
Mr. Pao Ping Wing	Appointment as an independent non-executive director of HL Technology Group Limited on 29 May 2013



Disclosure of Interests and Other Information (Continued)

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely, Ms. Chan Yee Wah, Eva, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen, and one non-executive director, Mr. Lim Jui Kian. Ms. Chan Yee Wah, Eva has been appointed as the chairman of the audit committee. The audit committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2013 with the management.

In addition, the Group's external auditors performed an independent review of the interim financial information for the six months ended 30 June 2013 in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditors based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".





NEW ENVIRONMENTAL ENERGY
HOLDINGS LIMITED
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