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## NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

### 新環保能源控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 03989)**

## ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

### RESULTS

The Board of Directors (the “Board”) of New Environmental Energy Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2011*

	<i>NOTES</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Continuing operations</b>			
Revenue	4	<b>49,001</b>	195,233
Cost of sales		<b>(112,246)</b>	(283,080)
Gross loss		<b>(63,245)</b>	(87,847)
Other income, gains and losses	5	<b>(189,500)</b>	(86,015)
Gain on fair value change of embedded derivatives		<b>3,241</b>	23,896
Administrative expenses		<b>(52,656)</b>	(139,041)
Distribution and selling costs		<b>(19)</b>	(2,808)
Gain on disposal of subsidiaries		—	38,627
Impairment loss on goodwill		—	(415,913)
Share of results of an associate		<b>11,358</b>	1,675
Finance costs	6	<b>(60,226)</b>	(81,165)
Loss before tax	7	<b>(351,047)</b>	(748,591)
Income tax credit	8	<b>3,914</b>	11,601
Loss for the year from continuing operations		<b>(347,133)</b>	(736,990)

	<i>NOTE</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		—	(44,006)
Loss for the year		<u>(347,133)</u>	<u>(780,996)</u>
<b>Other comprehensive income</b>			
Exchange differences on translation:			
Exchange difference arising during the year		5,828	69,113
Exchange difference arising from an associate during the year		3,971	2,079
Reclassification adjustment upon disposal of subsidiaries		—	(52,138)
Other comprehensive income for the year (net of tax)		<u>9,799</u>	<u>19,054</u>
Total comprehensive expense for the year		<u><u>(337,334)</u></u>	<u><u>(761,942)</u></u>
Loss for the year attributable to:			
Owners of the Company		(325,504)	(742,303)
Non-controlling interests		<u>(21,629)</u>	<u>(38,693)</u>
		<u><u>(347,133)</u></u>	<u><u>(780,996)</u></u>
Total comprehensive expense attributable to:			
Owners of the Company		(315,294)	(724,667)
Non-controlling interests		<u>(22,040)</u>	<u>(37,275)</u>
		<u><u>(337,334)</u></u>	<u><u>(761,942)</u></u>
Loss per share	10		
From continuing and discontinued operations			
Basic		<u><u>HK(25.92) cents</u></u>	<u><u>HK(85.51) cents</u></u>
Diluted		<u><u>HK(25.92) cents</u></u>	<u><u>HK(85.51) cents</u></u>
From continuing operations			
Basic		<u><u>HK(25.92) cents</u></u>	<u><u>HK(80.44) cents</u></u>
Diluted		<u><u>HK(25.92) cents</u></u>	<u><u>HK(80.44) cents</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2011*

	<i>NOTES</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		<b>13,522</b>	32,610
Intangible assets		<b>3,786</b>	5,254
Prepaid lease payments		<b>2,314</b>	2,262
Amounts due from grantors for contract work		<b>193,581</b>	155,404
Amount due from a related company	12	—	60,238
Amount due from an investee	13	<b>59,500</b>	—
Available-for-sale investment		—	44,152
Interest in an associate		<b>93,178</b>	78,775
Deposits paid for construction of infrastructure in service concession arrangements		<b>179,299</b>	152,890
		<b>545,180</b>	531,585
Current assets			
Inventories		—	27,225
Trade receivables	11	<b>31,986</b>	105,188
Deposits, prepayments and other receivables		<b>48,064</b>	76,319
Prepaid lease payments		<b>52</b>	50
Amounts due from related companies	12	—	58,466
Amount due from an associate		<b>980</b>	2,948
Pledged bank deposits		—	3,538
Bank balances and cash		<b>54,859</b>	34,280
		<b>135,941</b>	308,014

	<i>NOTE</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	14	<b>31,958</b>	30,297
Other payables and accruals		<b>206,908</b>	129,720
Amount due to a shareholder		<b>2,366</b>	—
Taxation payable		<b>18,069</b>	17,560
Obligations under finance leases			
— due within one year		<b>17</b>	593
Borrowings		<b>52,250</b>	67,689
Bank overdrafts		<b>—</b>	2
		<b>311,568</b>	245,861
Net current (liabilities) assets		<b>(175,627)</b>	62,153
Total assets less current liabilities		<b>369,553</b>	593,738
<b>Non-current liabilities</b>			
Obligations under finance leases			
— due after one year		<b>44</b>	61
Convertible notes		<b>132,279</b>	251,730
Convertible bonds		<b>155,083</b>	133,867
Embedded derivatives		<b>8,460</b>	11,701
Promissory notes		<b>—</b>	96,757
Deferred consideration payable		<b>—</b>	461
Deferred tax liabilities		<b>10,957</b>	27,682
		<b>306,823</b>	522,259
		<b>62,730</b>	71,479
<b>Capital and reserves</b>			
Share capital		<b>155,188</b>	101,053
Reserves		<b>(73,750)</b>	(32,906)
Equity attributable to owners of the Company		<b>81,438</b>	68,147
Non-controlling interests		<b>(18,708)</b>	3,332
		<b>62,730</b>	71,479

Notes:

## 1. BASIS OF PREPARATION

The Company was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 13 July 2006.

The principal activities of the Company and its subsidiaries are the trading of apparel and accessories and waste treatment and waste-to-energy business. The Group was also engaged in the manufacture of apparel and accessories which was discontinued in 2010.

The functional currency of the Company is Renminbi (“RMB”), the currency of the primary economic environment in which the principal subsidiaries of the Company operates. As the Company is a listed entity on the Stock Exchange, the consolidated financial statements are presented in Hong Kong dollars (“HK\$”) for the convenience of the readers.

In preparing the consolidated financial statements, the directors of the Company have assessed the liquidity position and going concern of the Group in light of the fact that the Group incurred a loss of approximately HK\$347,133,000 for the year ended 31 December 2011 and had net current liabilities of approximately HK\$175,627,000 as at 31 December 2011. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations including the capital commitment and other commitment as they fall due for the foreseeable future for the following reasons:

A substantial shareholder, Beijing Capital (Hong Kong) Limited, a wholly owned subsidiary of a listed company in the People Republic of China (“PRC”), Beijing Capital Co., Ltd., has granted the Group a three-year term facility of RMB300,000,000 (approximately HK\$370,370,000) in December 2011. The facility has not yet been drawn down at the end of the reporting period.

In August 2011, a bank in the PRC has granted a subsidiary of the Company a facility of RMB305,000,000 (approximately HK\$376,543,000) solely for one of the service concession arrangement projects which was secured by the underlying assets of the service concession arrangements of that subsidiary and guaranteed by the Company and a subsidiary of the Company. The facility has not yet been drawn down at the end of the reporting period.

The Group disposed of Hembly Garment Manufacturing Limited (“Hembly Garment”) for a consideration of HK\$12,000,000 in February 2012.

In addition, the Group entered into a supplemental agreement with Simple Success Investments Limited, a substantial shareholder of the Company, in January 2012 for the extension of the fixed-rate borrowing of HK\$52,250,000 that was originally due in December 2012 for at least another eighteen months.

Accordingly, the consolidated financial statements for the year ended 31 December 2011 have been prepared on a going concern basis.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets <sup>1</sup>
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>5</sup>
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets <sup>4</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>6</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2014.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) — Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipated that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors have not yet performed a detailed analysis of the impact of the application of these five standards and hence have not yet quantified the extent of the impact.

## HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it 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, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipated that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors are currently evaluating the impact of the adoption of this standard on its financial statements. Such impact will be disclosed in the future consolidated financial statements of the Group upon completion of the assessment.

The directors anticipate that the application of the other new and revised HKFRSs issued but not yet effective will have no material effect on results and financial position of the Group.

### 3. SEGMENT INFORMATION

The Group's operations are organised based on two business activities: trading of apparel and accessories and waste treatment and waste-to-energy business. Similarly, the Group's operating and reportable segments reported to the chief operating decision maker (i.e. the Board of the Company) for the purposes of resource allocation and performance assessments are determined based on the two business activities. These two reportable and operating segments are described as follow:

- (a) Trading of apparel and accessories — Provision of supply chain services for its supply of apparel and accessories to international brands.
- (b) Waste treatment and waste-to-energy business — Investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in first tier cities in the PRC primarily on a build-operate-transfer basis with a concessionary period of 25 to 30 years as well as sales of waste-to-energy machines.

The Group was involved in the manufacture of apparel and accessories in prior years. This operation was discontinued during the year ended 31 December 2010. The segment information does not include any amounts for this discontinued operation.

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

*For the year ended 31 December 2011*

	Trading of apparel and accessories <i>HK\$'000</i>	Waste treatment and waste-to- energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE			
External sales	<u>28,854</u>	<u>20,147</u>	<u>49,001</u>
RESULT			
Segment loss	<u>(163,030)</u>	<u>(135,056)</u>	(298,086)
Unallocated income			15,794
Unallocated expense			(11,770)
Gain on fair value change of embedded derivatives			3,241
Finance costs			<u>(60,226)</u>
Loss before tax			<u>(351,047)</u>

*For the year ended 31 December 2010*

	Continuing operations		
	Trading of apparel and accessories <i>HK\$'000</i>	Waste treatment and waste-to- energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>			
External sales	143,601	51,632	195,233
<b>RESULT</b>			
Segment loss	(46,313)	(627,996)	(674,309)
Unallocated income			1,604
Unallocated expense			(57,244)
Gain on disposal of subsidiaries			38,627
Gain on fair value change of embedded derivatives			23,896
Finance costs			(81,165)
Loss before tax (continuing operations)			(748,591)

There is no inter-segment sale for the year ended 31 December 2011 and 2010.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of bank interest income, central administration costs, directors' salaries, gain on disposal of subsidiaries, gain on fair value change of embedded derivatives and finance costs. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.



## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

*As at 31 December 2011*

	Trading of apparel and accessories <i>HK\$'000</i>	Waste treatment and waste-to- energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>			
Amounts due from grantors for contract work	—	193,581	193,581
Amount due from an investee	—	59,500	59,500
Interest in an associate	—	93,178	93,178
Deposit paid for construction of infrastructure in service concession arrangement	—	179,299	179,299
Trade receivables	24,631	7,355	31,986
Deposits, prepayment and other receivables	5,016	40,424	45,440
Others	453	19,953	20,406
	<hr/>	<hr/>	<hr/>
Segment assets ( <i>Note</i> )	30,100	593,290	623,390
Bank balances and cash			54,859
Other unallocated assets			2,872
			<hr/>
Consolidated assets			<b>681,121</b>
<b>LIABILITIES</b>			
Segment liabilities	16,929	214,218	231,147
Borrowings			52,250
Convertible notes			132,279
Convertible bonds			155,083
Embedded derivatives			8,460
Obligations under finance leases			61
Taxation payable			18,069
Deferred tax liabilities			10,957
Other unallocated liabilities			10,085
			<hr/>
Consolidated liabilities			<b>618,391</b>

*Note:* Segment losses were resulted in the reportable segments of trading of apparel and accessories and waste treatment and waste-to-energy business for the year ended 31 December 2011 and 2010. The management considered that:

- the assets in the reportable segment of trading of apparel and accessories as at 31 December 2011 are recoverable through the disposal of Hembly Garment, a subsidiary in this segment, and;
- the impairment assessment on the segment assets in the reportable segment of waste treatment and waste-to-energy business as at 31 December 2011 was performed and disclosed in corresponding notes.

	Continuing operations		Total HK\$'000
	Trading of apparel and accessories HK\$'000	Waste treatment and waste-to- energy business HK\$'000	
<b>ASSETS</b>			
Amounts due from grantors for contract work	—	155,404	155,404
Amount due from a related company	58,466	60,238	118,704
Available-for-sale investment	—	44,152	44,152
Interest in an associate	—	78,775	78,775
Deposit paid for construction of infrastructure in service concession arrangement	—	152,890	152,890
Inventories	27,225	—	27,225
Trade receivables	96,249	8,939	105,188
Deposits, prepayment and other receivables	3,963	69,553	73,516
Others	2,359	39,932	42,291
Segment assets	188,262	609,883	798,145
Pledged bank deposits			3,538
Bank balances and cash			34,280
Other unallocated assets			3,636
Consolidated assets			<u>839,599</u>
<b>LIABILITIES</b>			
Segment liabilities	14,738	135,276	150,014
Borrowings			67,689
Convertible notes			251,730
Promissory notes			96,757
Convertible bonds			133,867
Embedded derivatives			11,701
Deferred consideration payable			461
Obligations under finance leases			654
Taxation payable			17,560
Deferred tax liabilities			27,682
Other unallocated liabilities			10,005
Consolidated liabilities			<u>768,120</u>

For the purposes of assessing segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than pledged bank deposits, bank balances and cash and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, borrowings, obligations under finance leases, convertible bonds, embedded derivatives, promissory notes, convertible notes, deferred consideration payable and liabilities for which reportable segments are jointly liable.

## Other segment information

For the year ended 31 December 2011

	Trading of apparel and accessories HK\$'000	Waste treatment and waste-to- energy business HK\$'000	Total HK\$'000
Capital additions (Note)	139	2,117	2,256
Amortisation of prepaid lease payments	—	52	52
Amortisation of intangible assets	—	1,468	1,468
Depreciation of property, plant and equipment	1,546	2,216	3,762
Loss (gain) on disposal of property, plant and equipment	498	(6,718)	(6,220)
Impairment loss on trade receivables	94,046	—	94,046
Impairment loss on deposits, prepayments and other receivables	26,115	23,314	49,429
Provision for penalty charges in relation to construction of waste-to-energy plant	—	27,410	27,410
Provision for expected losses in relation to service concession arrangements	—	35,287	35,287
	—	35,287	35,287

For the year ended 31 December 2010

	Continuing operations		
	Trading of apparel and accessories HK\$'000	Waste treatment and waste-to- energy business HK\$'000	Total HK\$'000
Capital additions (Note)	487	2,031	2,518
Amortisation of prepaid lease payments	—	49	49
Amortisation of intangible assets	—	1,468	1,468
Reversal of profit recognised in prior years in relation to service concession arrangements	—	29,528	29,528
Provision for penalty charges in relation to construction of waste-to-energy plant	—	36,610	36,610
Provision for expected losses in relation to service concession arrangements	—	53,025	53,025
Depreciation of property, plant and equipment	2,171	3,826	5,997
Impairment loss on goodwill	—	415,913	415,913
Loss on disposal of property, plant and equipment	—	620	620
Bad debt recovered	—	(8,765)	(8,765)
Impairment loss on trade receivables	347	1,033	1,380
Compensation for delay in performing a contract	—	11,494	11,494
Impairment loss on deposits, prepayments and other receivables	26,778	26,411	53,189
	26,778	26,411	53,189

Note: Capital additions included additions to property, plant and equipment for the year ended 31 December 2011 and included additions to goodwill, property, plant and equipment, prepaid lease payments and intangible assets for the year ended 31 December 2010.

## Geographical information

The Group's operations are principally located in the PRC (country of domicile) excluding Hong Kong and Europe.

The Group's revenue from continuing operations from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Continuing operations</b>				
Europe				
Italy	16,341	57,084	—	—
Other European countries	—	6,375	—	—
The PRC (country of domicile)	32,660	131,774	291,397	269,143
Hong Kong	—	—	702	2,648
	<u>49,001</u>	<u>195,233</u>	<u>292,099</u>	<u>271,791</u>

*Note:* Non-current assets excluded those relating to the discontinued operations and financial instruments.

## 4. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Continuing operations</b>		
Trading of apparel and accessories	28,854	143,601
Provision of construction service under service concession arrangements	19,857	34,507
Sales of waste-to-energy machines	—	17,125
Consultancy fee income	290	—
	<u>49,001</u>	<u>195,233</u>

## 5. OTHER INCOME, GAINS AND LOSSES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Continuing operations</b>		
Bank interest income	230	1,454
Effective interest income on amount due from an investee	4,726	—
Interest income on amounts due from grantors for contract work	11,478	5,964
	<hr/>	<hr/>
Total interest income	16,434	7,418
Bad debt recovered	—	8,765
Compensation for delay in performing a contract	—	(11,494)
Gain on disposal of property, plant and equipment	6,220	—
Impairment loss recognised in respect of deposits, prepayments and other receivables	(49,429)	(53,189)
Impairment loss recognised in respect of trade receivables	(94,046)	(1,380)
Impairment loss recognised in respect of available-for-sales investment	(56,844)	—
Loss on change in fair value of financial assets at fair value through profit or loss	—	(165)
Provision for penalty charges in relation to construction of waste-to-energy plant	(27,410)	(36,610)
Gain on redemption of promissory notes to ordinary shares	15,564	—
Sundry income	11	640
	<hr/>	<hr/>
	<b>(189,500)</b>	<b>(86,015)</b>

## 6. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Continuing operations</b>		
Interest on:		
Borrowings and overdrafts wholly repayable within five years	3,391	11,166
Convertible bonds	21,216	13,464
Convertible notes	24,712	32,008
Obligations under finance leases	13	49
Promissory notes	10,894	24,478
	<hr/>	<hr/>
	<b>60,226</b>	<b>81,165</b>

## 7. LOSS BEFORE TAX

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss before tax has been arrived at after charging (crediting):		
<b>Continuing operations</b>		
Directors' emolument	5,593	4,597
Staff costs (excluding directors)		
— other staff costs	18,321	22,205
— share-based payments	—	2,177
— retirement benefit scheme contribution	2,711	3,533
	<u>21,032</u>	<u>27,915</u>
Auditors' remuneration	4,564	3,480
Cost of inventories recognised as an expense	56,831	130,589
Contract cost recognised for waste treatment business	19,857	69,938
Depreciation of property, plant and equipment	3,762	5,997
Amortisation of prepaid lease payments	52	49
Amortisation of intangible assets	1,468	1,468
(Gain) loss on disposal of property, plant and equipment	(6,220)	620
Net exchange (gain) loss	(8,626)	42,257
Reversal of profit recognised in prior years in relation to service concession arrangements (included in cost of sales)	—	29,528
Provision for expected losses in relation to service concession arrangements (included in cost of sales)	35,287	53,025
	<u><u>35,287</u></u>	<u><u>53,025</u></u>

## 8. INCOME TAX CREDIT

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>Continuing operations</b>		
Current income tax:		
— Other jurisdictions	42	2,599
Deferred tax	(3,956)	(14,200)
	<u>(3,914)</u>	<u>(11,601)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss before tax (from continuing operations)	<u><b>(351,047)</b></u>	<u>(748,591)</u>
Tax at the domestic income tax rate of 25%	<b>(87,762)</b>	(187,148)
Tax effect of expenses not deductible for tax purpose	<b>30,024</b>	168,369
Tax effect of income not taxable for tax purpose	<b>(14,169)</b>	(20,885)
Tax effect of tax losses not recognised	<b>32,060</b>	27,805
Tax effect of other deductible temporary differences not recognised	<b>35,869</b>	258
Others	<b>64</b>	—
Tax credit for the year (from continuing operations)	<u><b>(3,914)</b></u>	<u>(11,601)</u>

## 9. DIVIDENDS

No dividend was paid, declared or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

## 10. LOSS PER SHARE

### For continuing and discontinued operations

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

*Loss*

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u><b>(325,504)</b></u>	<u>(742,303)</u>

*Number of shares*

	<b>2011</b> <i>'000</i> <i>(Note)</i>	2010 <i>'000</i> <i>(Note)</i>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u><b>1,255,740</b></u>	<u>868,052</u>

*Note:*

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

Earnings figures are calculated as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(325,504)	(742,303)
Add: Loss for the year from discontinued operations	<u>—</u>	<u>44,006</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u><b>(325,504)</b></u>	<u><b>(698,297)</b></u>

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

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK5.07 cents per share for the year ended 31 December 2010, based on the loss for the year from the discontinued operations of approximately HK\$44,006,000 for the year ended 31 December 2010 and the denominators detailed above for both basic and diluted loss per share.

## 11. TRADE RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables	132,901	110,546
Less: allowance for doubtful debts	<u>(100,915)</u>	<u>(5,358)</u>
	<u><b>31,986</b></u>	<u><b>105,188</b></u>

The Group allows an average credit period normally ranging from 7 days to 90 days to its trade customers for both years.

The aged analysis of trade receivables (net of impairment) presented based on the invoice date at the end of reporting period is as follows.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0–90 days	24,630	105,188
91–180 days	—	—
181–360 days	—	—
Over 360 days	<u>7,356</u>	<u>—</u>
	<u><b>31,986</b></u>	<u><b>105,188</b></u>

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limit by customer.

Included in the Group's trade receivable balance is a debtor, 北京市大興區政府採購中心, with aggregate carrying amount of approximately HK\$7,356,000 (2010: HK\$2,220,000) which is past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit



quality and the amount is still considered recoverable. For customer, 南京寧藝服飾有限公司, with balance which is neither past due nor impaired, management considered that it is with high credit quality and respective balance is considered recoverable. The Group does not hold any collateral over these balances.

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Overdue by:		
1–90 days	—	2,220
91–180 days	—	—
181–360 days	—	—
Over 360 days	<b>7,356</b>	—
	<hr/>	<hr/>
Total	<b>7,356</b>	2,220
	<hr/> <hr/>	<hr/> <hr/>

#### **Movement in the allowance for doubtful debts**

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Balance at beginning of the year	<b>5,358</b>	27,429
Exchange realignment	<b>1,511</b>	—
Impairment losses recognised on receivables	<b>97,305</b>	1,380
Impairment losses reversed	<b>(3,259)</b>	(6,631)
Eliminated on disposal of a subsidiary	—	(16,820)
	<hr/>	<hr/>
Balance at end of the year	<b>100,915</b>	5,358
	<hr/> <hr/>	<hr/> <hr/>

#### **Trade receivables which are past due but not impaired**

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK\$100,915,000 (2010: HK\$5,358,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances. During the year ended 31 December 2011, impairment losses on trade receivables of HK\$94,046,000 is recognised in profit or loss due to adverse change in business environment of the customers, including impairment loss of HK\$58,659,000 is recognised in respect of trade receivable due from one of the two largest customers of the Group, Sergio Tacchini International S.P.A. (“ST”), which is controlled by Mr. Ngok Yan Yu, a former director and substantial shareholder of the Company as at 31 December 2011. The carrying amount of trade receivable of ST after impairment loss recognised is nil (2010: HK\$58,466,083) as at 31 December 2011. The remaining impairment losses are related to other customers included in the reportable segment of trading of apparel and accessories.

## 12. AMOUNTS DUE FROM RELATED COMPANIES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade receivables		
ST ( <i>Note a</i> )	—	58,466
Shanghai Biomax Green Energy Park Company Limited (“SH Biomax GEP”) ( <i>Note b</i> )	—	21,853
	<u>—</u>	<u>80,319</u>
Other receivable		
SH Biomax GEP ( <i>Note b</i> )	—	38,385
	<u>—</u>	<u>38,385</u>
Total	<u>—</u>	<u>118,704</u>
Analysed as		
Current	—	58,466
Non-current	—	60,238
	<u>—</u>	<u>118,704</u>

### Notes:

- (a) Mr. Ngok Yan Yu, who was a director and substantial shareholder of the Company with significant influence as at 31 December 2010, has controlling interest in ST. During the year, Mr Ngok Yan Yu resigned from his directorship of the Company on 27 May 2011 and was not key management personnel of the Group but still hold 9.39% of the Company’s share capital as at 31 December 2011. Hence, ST is not considered as a related company to the Group as at 31 December 2011 in accordance with HKAS 24 *Related Party Disclosure*. The balance with ST as at 31 December 2011 was therefore included in trade receivables.
- (b) Mr. Ngok Yan Yu, who was a director and substantial shareholder of the Company with significant influence as at 31 December 2010, has beneficial ownership interests in and significant influence over SH Biomax GEP. Since Mr. Ngok Yan Yu resigned from his directorship of the Company on 27 May 2011 and was not key management personnel of the Group but still hold 9.39% of the Company’s share capital as at 31 December 2011. SH Biomax GEP is not considered as a related company to the Group as at 31 December 2011 in accordance with HKAS 24 *Related Party Disclosure*. These balances with SH Biomax GEP as at 31 December 2011 were therefore included in amount due from an investee (Note 13).

The trade receivables due from related companies are unsecured, interest free and the Group allows a credit period of 120 days to ST and 7 days to SH Biomax GEP, respectively.

The aged analysis of the amounts due from related companies (net of impairment) presented based on the invoice date at the end of the reporting period is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0–90 days	—	12,982
91–180 days	—	35,285
181–360 days	—	10,136
Over 360 days	—	21,916
	<u>—</u>	<u>80,319</u>
Total	<u>—</u>	<u>80,319</u>

Included in the Group's amounts due from related companies as at 31 December 2010 is aggregate carrying amount of approximately HK\$64,083,000 which was past due for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

**Amounts due from related companies which is past due but not impaired**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Overdue by:		
1–90 days	—	31,217
91–180 days	—	4,844
181–360 days	—	6,130
Over 360 days	—	21,892
	<u>          </u>	<u>          </u>
Total	<u>          </u>	<u>64,083</u>

**13. AMOUNT DUE FROM AN INVESTEE**

	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Trade receivable		
SH Biomax GEP ( <i>Note</i> )	<b>19,548</b>	—
Other receivable		
SH Biomax GEP ( <i>Note</i> )	<b>39,952</b>	—
	<u>          </u>	<u>          </u>
Total	<u><b>59,500</b></u>	<u>          </u>

*Note:* The trade receivable and other receivable of SH Biomax GEP are reclassified from amounts due from a related company (disclosed in Note 12(b)) during the year ended 31 December 2011.

The receivables due from SH Biomax GEP, an available-for-sale investment of the Group, are past due over 2 years (2010: over 1 year) but not impaired. The other receivable due from SH Biomax GEP is unsecured and interest free.

The management of the Group considered that the commencement of operation of SH Biomax GEP will be postponed. Therefore, the directors of the Company assessed the future economic benefit generated from the project reduced. The present value of the future cash flows of SH Biomax GEP has been determined based on the cash flow projections and financial budgets approved by management. It consists of cash flow arising from operation of waste treatment and waste-to-energy plants and discounted at a rate of 18% (2010: 14%) per annum. Cash flows arising from operation of waste treatment and waste-to-energy plants are budgeted over the respective concession period granted by the service concession agreements. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on past performance and management's expectation for the market development.

In the opinion of the directors, the receivables will not be repayable within 24 months (2010: 24 months) from the end of the reporting period until the waste treatment plant of SH Biomax GEP commences its operation. These receivables are measured at amortised cost of HK\$59,500,000 (2010: HK\$60,238,000 included in amounts due from related companies as disclosed in Note 12). The initial fair value adjustment thereon is recognised as deemed investment cost for the available-for-investment in 2011 and 2010.

#### 14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0-90 days	<b>9,601</b>	12,001
91-180 days	—	8,878
181-360 days	<b>150</b>	—
Over 360 days	<b>22,207</b>	9,418
	<u><b>31,958</b></u>	<u>30,297</u>

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group's revenue, from its continuing operations, reached approximately HK\$49.1 million, representing decrease of approximately 74.9% over last year. The net loss attributable to the owners of the Company amounted to approximately HK\$325.5 million for the year under review.

### Trading of apparel and accessories

During the year under review, the Group's revenue from its trading of apparel and accessories business reached approximately HK\$28.9 million, representing decrease of approximately 79.9%, as compared to last year, which accounted for approximately 59.0% of the Group's revenue in the financial year 2011.

For the year under review, its gross loss is approximately 97.0%.

### Waste treatment and Waste-to-Energy Business

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached approximately HK\$20.1 million, representing decrease of approximately 61.0%, as compared to last year, which accounted for approximately 41.0% of the Group's revenue in the financial year 2011.

For the year under review, its gross loss is approximately 175.0%.

### Operating expenses

In 2011, the Group's distribution and selling expenses of the continuing operations, decreased significantly by 96.4% to HK\$0.1 million, as compared to last year, the decrease is mainly attributable to the manufacturing of apparel and accessories business, which was disposed of and completed on 30 November 2010.

The Group's administrative expenses of the continuing operations decreased by 62.1% from HK\$139.0 million to HK\$52.7 million during the year under review, the decrease is mainly attributable to the manufacturing of apparel and accessories business, which was disposed of and completed on 30 November 2010.

### Finance Costs

Finance costs, for the Group's continuing operations, decreased by 25.9% to HK\$60.2 million, as compared to last year. The decrease is mainly attributable to the decrease in the interests on promissory notes and borrowings.

### Liquidity, Financial resources and Capital Structure

As at 31 December 2011, the Group had cash and bank balances of HK\$54.9 million, primarily denominated in RMB and HK dollars (31 December 2010: HK\$37.8 million), and total borrowings of HK\$52.3 million (31 December 2010: HK\$67.7 million), all of which are short-term borrowings. The Group's borrowings was denominated in RMB and HK dollars and subject to fixed interest rates.

The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, was 0.44 as at 31 December 2010. Net gearing ratio has not been calculated as at 31 December 2011 as cash and cash equivalent exceeded borrowings as at 31 December 2011. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.25 as at 31 December 2010 to 0.44 as at 31 December 2011.

### **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 year, 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 31 December 2011, the Group has no asset pledged.

### **Capital Commitment**

As at 31 December 2011, the Group had capital commitment of HK\$449.8 million in respect of the acquisitions of property, plant and equipment and construction infrastructure in service concession arrangement, which were contracted but not provided for in the consolidated financial statements.

### **Contingent liabilities**

As at 31 December 2011, the Group provide guarantees of RMB18.4 million to a bank in respect of banking facilities granted to an associate.

### **Employment Information**

As at 31 December 2011, the Group had about 108 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 employee and are based on 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.

### **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

### **CODE ON 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 Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year under review.

In addition, the Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiries with all the Directors regarding any compliance of the Model Code, and all the Directors confirmed that they have fully complied with the required standards as set out in the Model Code during the year under review.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2011, including the accounting principles and practices adopted by the Group.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

This result announcement is published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company’s website at [www.neeh.com.hk](http://www.neeh.com.hk). The annual report for the year ended 31 December 2011 will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

By order of the Board of  
**New Environmental Energy Holdings Limited**  
**Yu Chang Jian**  
*Chairman*

Hong Kong, 23 March 2012

*As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Yu Chang Jian, Mr. Liu Xiao Guang, Mr. Cao Guo Xian, Mr. Marcello Appella and Mr. Tang Zhi Bin; one non-executive director, namely, Mr. Lim Jui Kian; one alternate non-executive director, namely, Mr. Cai Qiao Herman (alternate director to Mr. Lim Jui Kian) and four independent non-executive directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen.*