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: 3989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors (the "Board") of New Environmental Energy Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Continuing operations			
Revenue	*3*	**368,773**	508,359
Cost of sales		**(355,054)**	(436,753)
Gross profit		**13,719**	71,606
Other income, gains and losses	*4*	**(7,982)**	(6,927)
Gain from a bargain purchase on acquisition of a subsidiary		**2,020**	—
Gain on disposal of subsidiaries		**38,627**	—
Loss on disposal of a jointly controlled entity		**—**	(2,242)
Administrative expenses		**(96,172)**	(47,621)
Distribution and selling expenses		**(21,862)**	(14,586)
Finance costs	*5*	**(44,610)**	(16,611)
Gain on fair value change of embedded derivatives		**16,799**	—
Impairment loss on goodwill	*12*	**(144,184)**	—
Impairment loss on property, plant and equipment	*11*	**(56,000)**	(78,537)
Share of results of an associate		**2,281**	—

		Six months ended 30 June	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Loss before tax		**(297,364)**	(94,918)
Income tax expense	*6*	**(1,780)**	(2,322)
Loss for the period from continuing operations		**(299,144)**	(97,240)
Discontinued operation			
Loss for the period from discontinued operation	*7*	**—**	(49,134)
Loss for the period	*8*	**(299,144)**	(146,374)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**25,173**	(12,075)
Gain on fair value change of available-for-sale investment		**—**	38
Reclassification adjustment on disposal of a jointly controlled entity		**—**	(647)
Reclassification adjustment on disposal of a subsidiary		**562**	—
Other comprehensive income (expense) for the period		**25,735**	(12,684)
Total comprehensive expense for the period		**(273,409)**	(159,058)
Loss for the period attributable to:			
Owners of the Company		**(292,945)**	(143,711)
Non-controlling interests		**(6,199)**	(2,663)
		(299,144)	(146,374)
Total comprehensive expense attributable to:			
Owners of the Company		**(267,210)**	(156,526)
Non-controlling interests		**(6,199)**	(2,532)
		(273,409)	(159,058)

	Notes	Six months ended 30 June 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
LOSS PER SHARE	*10*		
From continuing and discontinued operations			
Basic		**HK(37.98) cents**	HK(38.13) cents
Diluted		**HK(38.30) cents**	N/A
From continuing operations			
Basic		**HK(37.98) cents**	HK(25.09) cents
Diluted		**HK(38.30) cents**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**183,008**	196,148
Intangible assets		**5,988**	6,722
Goodwill	*12*	**271,729**	423,280
Prepaid lease payments		**66,162**	65,898
Amounts due from grantors for contract work		**158,147**	137,134
Available-for-sale investment		**34,700**	34,700
Financial assets at fair value through profit or loss		**—**	6,404
Interest in an associate		**77,321**	—
Advance payment for acquisition of an associate		**—**	74,254
Deposits paid for construction of infrastructure in service concession arrangements		**105,798**	107,068
		902,853	1,051,608
Current assets			
Inventories		**161,613**	206,670
Trade receivables	*13*	**236,820**	171,693
Deposits, prepayments and other receivables		**127,621**	118,795
Deferred consideration receivable		**49,193**	58,264
Prepaid lease payments		**1,544**	1,528
Amounts due from related companies	*14*	**142,842**	87,898
Amount due from an associate		**2,870**	—
Amounts due from jointly controlled entities		**—**	11,634
Amount due from a former jointly controlled entity		**—**	405
Tax recoverable		**668**	682
Available-for-sale investments		**551**	511
Pledged bank deposits		**26,406**	6,666
Bank deposits with original maturity of more than three months		**34,952**	96,536
Bank balances and cash		**293,670**	125,303
		1,078,750	886,585

	Notes	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Current liabilities			
Trade payables	*15*	**55,225**	85,011
Other payables and accruals		**188,821**	151,740
Amounts due to related companies		**250,000**	265,569
Amounts due to joint venturers of jointly controlled entities		**—**	10,582
Amount due to jointly controlled entities		**—**	27,084
Tax payable		**32,664**	41,578
Obligations under finance leases — due within one year		**773**	777
Bank borrowings — due within one year		**150,172**	124,343
Bank overdrafts		**—**	2,425
		677,655	709,109
Net current assets		**401,095**	177,476
Total assets less current liabilities		**1,303,948**	1,229,084
Non-current liabilities			
Obligations under finance leases — due after one year		**207**	576
Bank borrowings — due after one year		**197,623**	181,554
Convertible bonds	*16*	**124,298**	—
Embedded derivatives	*16*	**18,798**	—
Convertible notes		**242,734**	294,796
Promissory notes		**203,913**	191,533
Deferred consideration payable		**461**	461
Deferred tax liabilities		**42,796**	53,667
		830,830	722,587
		473,118	506,497
Capital and reserves			
Share capital		**84,946**	65,830
Reserves		**353,764**	399,962
Equity attributable to owners of the Company		**438,710**	465,792
Non-controlling interests		**34,408**	40,705
		473,118	506,497

Notes:

1. **Basis of Preparation**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 ("HKAS") *Interim Financial Reporting*.

With effect from January 2010, the directors of the Company has determined that the functional currency of the Company has been changed from Hong Kong dollar to Renminbi. The subsidiaries of the Company which are engaged in the manufacturing and sale of apparels and accessories business with factories located in the PRC have increased their sales to the customers in the PRC which are mainly denominated in Renminbi. In addition, the Group has commenced its waste treatment and waste-to-energy business in the PRC since December 2009 through the acquisition of a subsidiary. As a result of these changes, the management of the Company considered that the Company's primary economic environment is the PRC.

For users' convenience of the condensed consolidated financial statements because the Company is listed in Hong Kong, the results and financial position of the Group are expressed in Hong Kong dollar, i.e. the presentation currency for the consolidated financial statements.

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 revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

Change in functional currency

In the current period, the Company has changed its functional currency from Hong Kong dollar to Renminbi as described in Note 1.

Functional currency of a group entity is changed only if there are changes to the underlying transactions, events and conditions relevant to the entity. The effects of a change in functional currency are accounted for prospectively. At the date of change of the functional currency, the entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting since the date of the acquisition. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset whenever there is an indicator for impairment. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments

Convertible bonds

In the current period, the Company issued convertible bonds as detailed in Note 16.

As set out in note 16, the convertible bonds issued by the Company contain conversion option exercisable at the discretion of the holder and early redemption options. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is treated as a conversion option derivative. Conversion option derivative and early redemption options are treated as embedded derivatives and are remeasured to fair value at each reporting date, with the resulting fair value gains or losses recognised in profit or loss.

At the date of issue, both the liability and embedded derivatives components are recognised at fair value using discounted cash flow and Binominal Option Pricing Model, respectively.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and embedded derivatives in proportion to their relative fair values at initial recognition. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Groups applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations to which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

For business combinations during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions to which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the Board of Directors of the Company) for the purposes of resource allocation and performance assessments are as follows:

(a) Manufacture and sales 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 ("BOT") basis with a concessionary period of 25 to 30 years.

The Group was involved in the distribution and retailing of apparel and footwear which was previously a separate operating segment. That operation was discontinued during the year ended 31 December 2009. The results of that operating segment were set out in note 7.

Information regarding the above segments is reported below.

Six months ended 30 June 2010 (unaudited)

Continuing operations

	Manufacture and sales of apparel and accessories *HK$'000*	**Waste treatment and waste-to-energy business** *HK$'000*	**Total** *HK$'000*
Segment revenue			
External sales	**351,944**	**16,829**	**368,773**
Segment result	**(58,258)**	**(180,779)**	**(239,037)**
Unallocated income			**2,803**
Unallocated corporate expense			**(20,247)**
Gain from a bargain purchase on acquisition of a subsidiary			**2,020**
Gain on disposal of subsidiaries			**38,627**
Gain on fair value change of embedded derivatives			**16,799**
Impairment loss on property, plant and equipment			**(56,000)**
Share of results of an associate			**2,281**
Finance costs			**(44,610)**
Loss before tax			**(297,364)**

Six months ended 30 June 2009 (unaudited)

Continuing operations

	Manufacture and sales of apparel and accessories	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue			
External sales	508,359	—	508,359
Intragroup sales to the "distribution and retailing of apparel and footwear" segment	3,001	(3,001)	—
Total	511,360	(3,001)	508,359
Segment result	9,988		9,988
Unallocated income			666
Unallocated corporate expense			(8,182)
Loss on disposal of a jointly controlled entity			(2,242)
Impairment loss on property, plant and equipment			(78,537)
Finance costs			(16,611)
Loss before tax			(94,918)

Segment profit/loss represents the profit/loss earned by each segment without allocation of interest income, royalty income, corporate expenses, gain on bargain purchase on acquisition of a subsidiary, impairment loss on property, plant and equipment, gain on fair value change of embedded derivatives, gain (loss) on disposal of subsidiaries and a jointly controlled entity, share of results of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

4. Other Income, Gain and Losses

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Bank interest income	**2,803**	626
Effective interest income on amounts due from grantors for contract work	**2,902**	—
(Loss) gain on change in fair value of financial assets at fair value through profit or loss	**(165)**	210
(Loss) gain on disposal of property, plant and equipment	**(157)**	196
Management fee income from jointly controlled entities	**240**	360
Recovery of trade receivables impaired (recognition of impairment loss on trade receivables)	**6,347**	(8,750)
Recognition of impairment loss on other receivables	**(21,760)**	—
Royalty income	**—**	40
Sundry income	**1,808**	391
	(7,982)	(6,927)

5. Finance Costs

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**11,900**	16,554
Convertible bonds	**3,895**	—
Convertible notes	**15,964**	—
Loan from a joint venturer of a former jointly controlled entity	**430**	—
Obligations under finance leases	**41**	57
Promissory notes	**12,380**	—
	44,610	16,611

6. Income Tax Expense

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the group entities had no assessable profits for both periods under review.

Under the Law of 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%.

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries were exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for next three years. The tax holiday and tax concession will expire in 2012. Accordingly, tax provision for these subsidiaries have been provided for after taking into account these tax exemption and tax concession during both periods under review.

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
PRC and other jurisdictions	**3,462**	2,322
Deferred tax:		
Current year	**(1,682)**	—
Income tax expense relating to continuing operations	**1,780**	2,322

7. Discontinued Operation

On 3 December 2008, the Company entered into a sale agreement with Primewill Investments Limited, an independent third party, to dispose of its 100% equity interest in Well Metro Group Limited ("Well Metro"), which carried out all of the Group's distribution and retailing of apparel and footwear operation. The disposal was completed on 30 October 2009. Since then Well Metro ceased to be a subsidiary of the Company.

The results of the Group's distribution and retailing of apparel and footwear operation for the six months ended 30 June 2009 were as follows:

	Six months ended 30 June 2009
	HK$'000
	(unaudited)
Revenue	55,657
Cost of sales	(29,460)
Gross profit	26,197
Other income, gains and losses	1,109
Gain on fair value change of conversion option derivative liability	1,452
Distribution and selling expenses	(36,010)
Administrative expenses	(29,679)
Impairment loss recognised upon transfer from property, plant and equipment to investment property	(824)
Impairment loss on property, plant and equipment	(5,075)
Finance costs	(6,304)
Loss for the period	(49,134)

Loss for the period from discontinued operation was arrived at after charging the following items:

	Six months ended 30 June 2009 HK$'000 (unaudited)
Depreciation of property, plant and equipment	6,432
Amortisation of intangible assets	904
Amortisation of prepaid lease payments	168
Loss on disposal of property, plant and equipment	64
Net exchange loss	1,061

8. Loss for the Period

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Cost of inventories recognised as an expense	**341,990**	407,293
Depreciation of property, plant and equipment	**8,594**	7,424
Amortisation of prepaid lease payments	**766**	570
Amortisation of intangible assets	**734**	—
Loss (gain) on disposal of property, plant and equipment	**157**	(196)
Net exchange loss	**12,994**	2,723
Provision for penalty charges, included in administrative expense	**20,729**	—

9. Dividend

The directors do not declare an interim dividend for the current period. No dividend was paid, declared or proposed during both reporting periods.

10. Loss Per Share

From continuing and discontinued operations

The calculation of basic and diluted loss per share from continuing and discontinued operations is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(292,945)**	(143,711)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**(12,904)**	—
Loss for the purpose of diluted loss per share	**(305,849)**	(143,711)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**771,290**	376,917
Effect of dilutive potential ordinary shares:		
Convertible bonds	**27,235**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**798,525**	376,917

From continuing operations

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company	**(292,945)**	(143,711)
Less: Loss for the period from discontinued operation	**—**	49,134
Loss for the purpose of basic loss per share from continuing operations	**(292,945)**	(94,577)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**(12,904)**	N/A
Loss for the purpose of diluted loss per share from continuing operations	**(305,849)**	N/A

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

From discontinued operation

For the six months ended 30 June 2009, basic and diluted loss per share from discontinued operation is HK0.79 cents per share, based on the loss for the period from discontinued operation of HK$49,134,000 and the denominators detailed above for both basic and diluted loss per share.

11. Movements in Property, Plant and Equipment

During the period, the Group incurred construction in progress of approximately HK$45,924,000 (for the six months ended 30 June 2009: Nil). The Group also acquired leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles of approximately HK$520,000, HK$256,000, HK$14,000 and HK$Nil, respectively (for the six months ended 30 June 2009: HK$1,069,000, HK$10,222,000, HK$599,000 and HK$6,000).

During the six months ended 30 June 2010, the Company entered into a conditional sale and purchase agreement to dispose of its manufacture and sale of apparels and accessories business. The management of the Group considered that the entering into an agreement to disposal of the operation is an indicator of the impairment of the related property, plant and equipment of the Group. As a result, an impairment loss of HK$56,000,000 is recognised on property, plant and equipment of the manufacture and sale of apparels and accessories segment as the recoverable amount, measured at the fair value less costs to sell, was less than its carrying amount. The fair value less costs to sell was determined based on the consideration of the disposal.

During the six months ended 30 June 2009, the management of the Group implemented business restructurings and close down a production plant of a subsidiary in the PRC on the basis that the recoverable amount, measured at the higher of value in use and fair value less costs to sell, was less than its carrying amount by approximately HK$78,537,000. An impairment loss of HK$78,537,000 was recognised in respect of property, plant and equipment.

12. Goodwill

	HK$'000 (unaudited)
COST	
At 1 January 2010	1,068,340
Disposal of a subsidiary	(11,853)
Exchange realignment	11,523
At 30 June 2010	1,068,010
IMPAIRMENT	
At 1 January 2010	645,060
Impairment loss recognised during the period	144,184
Exchange realignment	7,037
At 30 June 2010	796,281
CARRYING AMOUNTS	
At 30 June 2010	271,729
At 31 December 2009	423,280

The goodwill recognised at the end of the reporting period principally arose from the acquisition of a subsidiary, Smartview Investment Holdings Limited ("Smartview"), in December 2009. Smartview and its subsidiaries are principally engaged in the waste treatment and waste-to-energy business. The carrying amount of goodwill has been allocated to two groups of cash generating units ("CGUs") based on the nature of technology used in the waste treatment and waste-to-energy business as follows:

	30 June 2010 ***HK$'000*** **(unaudited)**	31 December 2009 *HK$'000* (audited)
Incineration technology	**114,078**	234,020
Anaerobic digestion technology	**157,651**	189,260
	271,729	423,280

During the period, an impairment loss of HK$144,184,000 was recognised in profit or loss based on the value in use calculation as detailed below.

The recoverable amount of each CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management. For each CGU, it consists of cash flows arising from operation of waste treatment and waste-to-energy plants and provision of engineering and procurement of equipment services discounted at a rate of 14.48% per annum. Cash flows arising from operation of waste treatment and waste-to-energy plants are budgeted over the respective concession period of 25 to 30 years granted by the service concession agreements. Cash flows arising from provision of engineering and procurement of equipment services are budgeted over a 2-year period, and cash flows beyond the 2-year period are extrapolated at a constant growth rate of

3%. 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.

13. Trade Receivables

The Group allows an average credit period of 7 to 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 2010	31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–90 days	**120,611**	52,756
91–180 days	**113,078**	82,945
181–360 days	**2,012**	24,758
Over 360 days	**1,119**	11,234
	236,820	171,693

14. Amounts due from Related Companies

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables		
Sergio Tacchini International S.P.A. ("ST") *(Note a)*	**79,062**	54,553
Shanghai Biomax Green Energy Park Company Limited ("SH Biomax GEP") *(Note b)*	**25,270**	25,270
	104,332	79,823
Other receivable		
SH Biomax GEP	**38,510**	8,075
	142,842	87,898

Notes:

(a) Mr. Ngok Yan Yu, a director and a shareholder of the Company, has beneficial interest in ST.

(b) SH Biomax GEP is an available-for-sale investment of the Group. In addition, Mr. Ngok Yan Yu, a director and a shareholder of the Company, had beneficial interest in SH Biomax GEP as at 31 December 2009. During the period, Mr. Ngok Yan Yu disposed of its entire interest in SH Biomax GEP.

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 following is an aged analysis of amounts due from related companies at the end of the reporting period, presented based on the invoice date:

	30 June 2010 *HK$'000* **(unaudited)**	31 December 2009 *HK$'000* (audited)
0–90 days	**12,418**	51,403
91–180 days	**24,846**	3,150
181–360 days	**41,026**	—
Over 360 days	**26,042**	25,270
	104,332	79,823

Included in the above amounts due from related companies are aggregate carrying amount of approximately HK$88,379,000 (31 December 2009: HK$54,622,000) that have been past due at 30 June 2010 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 the balance.

Other receivables due from SH Biomax GEP are unsecured, interest free and repayable on demand.

15. Trade Payables

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

	30 June 2010 *HK$'000* **(unaudited)**	31 December 2009 *HK$'000* (audited)
0–90 days	**18,828**	32,452
91–180 days	**4,754**	17,697
181–360 days	**4,196**	22,939
Over 360 days	**27,447**	11,923
	55,225	85,011

16. Convertible Bonds/Embedded Derivatives

On 13 April 2010, the Company issued convertible bonds with the principal amount of HK$156,000,000 to Waste Resources G.P. Limited ("Waste Resources"), an independent third party ("Convertible Bonds").

The Convertible Bonds can be converted into ordinary shares of the Company at HK$2.50 per share or ordinary shares of Smartview, a wholly-owned subsidiary of the Company, at HK$271,000 per share, subject to anti-dilutive adjustments. Waste Resources has the right, from 30 days after the issue date of the Convertible Bonds up to and including the seventh business day immediately before the maturity date, to convert the whole or part of the outstanding principal amount of the Convertible Bonds into ordinary shares of the Company or Smartview at the option of the holder.

The Convertible Bonds bear zero interest and mature on 13 April 2015, the date on which the Convertible Bonds shall be redeemed at an amount that will provide an internal rate of return of 10% per annum on the outstanding principal amount ("Redemption Amount") on the maturity date. The Company is entitled to, by giving not less than 30 but not more than 60 days' notice, redeem all of the outstanding Convertible Bonds at the Redemption Amount if at least 90 percent in principal amount of the Convertible Bonds have already been converted or redeemed.

Pursuant to the terms of the Convertible Bonds, Waste Resources may request redemption of the Convertible Bonds at the Redemption Amount on or before the 60th day after the third anniversary of the date of issue, if the volume weighted average market price per share of the Company in a period of 30 consecutive trading days immediately before the third anniversary of the date of issue of the Convertible Bonds is less than the conversion price of the Company.

The Convertible Bonds contain two components for accounting purposes: liability component and embedded derivatives component. The effective interest rate of the liability component is 15.85% per annum. The embedded derivatives component is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The movement of the liability component and embedded derivatives of the Convertible Bonds for the period is set out as below:

	Liability component *HK$'000* (unaudited)	**Embedded derivatives** *HK$'000* (unaudited)
At date of issue	120,403	35,597
Effective interest charged to profit or loss	3,895	—
Gain on fair value change of embedded derivatives	—	(16,799)
At 30 June 2010	124,298	18,798

The fair value of the liability component at the date of issue is calculated using discounted cash flow methodology.

The fair values of the embedded derivatives at the date of issue and at 30 June 2010 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:

	13 April 2010	**30 June 2010**
Share price	HK$1.968	HK$0.83
Risk-free rate	1.968%	1.495%
Time to maturity	5 years	5 years
Dividend yield	0%	0%
Volatility	45.12%	45.13%

BUSINESS AND FINANCIAL REVIEW

Overview

In the first half of 2010, the Group's revenue, including continuing and discontinuing operation, reached approximately HK$368.8 million, representing a decrease of 34.6% over the same period last year. Loss attributable to the Company's equity holders was approximately HK$292.9 million, as compared to loss attributable to the Company's equity holders of HK$143.7 million for the same period last year.

Supply Chain Services

During the period under review, the Group's revenue for its supply chain services reached approximately HK$351.9 million, representing decrease of approximately 30.8%, as compared to same period last year, which accounted for approximately 95.4% of the Groups revenue in the first half of 2010.

For the period under review, the Group attained a gross profit of approximately 2.83%, as compared to approximately 14.1% for the same period last year. The decrease is mainly attributable to (i) increased stock provisions (the inventory provision has driven down the gross profit margin from 8.73% to 2.83%); (ii) the continuous appreciation of RMB which led to the increase in cost of sales such as labor cost, and (iii) the Group shifted more of the business from manufacturing to trading mode, which carries reduced margins, during the period under review.

Waste to Energy Business

During the period under review, the Group's revenue for its waste to energy business reached approximately HK$16.8 million. Its gross profit margin is approximately 22.4%.

As the acquisition of waste to energy business was completed on 11 December 2009, there is no comparable for the same period last year.

Operating Expenses

During the period under review, the distribution and selling expenses for the Group, including continuing and discontinuing operation, decreased by approximately 56.8% to approximately HK$21.9 million, as compared to the corresponding period last year.

The decrease in distribution and selling expenses is manly attributable to the disposal of the distribution and retailing business, which was completed on 30 October 2009.

The Group's administrative expenses, including continuing and discontinuing operation, increased by approximately 24.4% to approximately HK$96.2 million during the period under review.

The increase in administrative expenses is mainly attributable to the acquisition of wastes to energy business, which was completed on 11 December 2009.

FINANCE COSTS

Finance costs, including continuing and discontinuing operation, increased by approximately 94.7% to approximately HK$44.6 million, as compared to the same period last year. This substantial increase is mainly attributable to the effective interest expense on the convertible notes and promissory notes, which issuance was made in December 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2010, the Group had cash and bank balances of approximately HK$355.0 million, primarily denominated in RMB and HK dollars, (31 December 2009: HK$228.5 million), and total bank borrowings of approximately HK$347.8 millions (31 December 2009: HK$308.3 million), of which approximately 43.2% constituted short-term bank borrowings and approximately 56.8% constituted long-term bank borrowings. The Group's bank borrowings were primarily denominated in RMB and HK dollars. As at 30 June 2010, approximately 71.7% and 28.3% of the Group's total bank borrowings were denominated in RMB and HK dollars, respectively, with approximately 66.3% of the total bank borrowings subject to fixed interest rates and 33.7% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and cash equivalent) over the total shareholders' equity of the Company, was approximately 0.17 as at 31 December 2009. Net gearing ratio has not been calculated as at 30 June 2010 as cash and cash equivalent exceeded total bank borrowings as at 30 June 2010. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from approximately 1.25 as at 31 December 2009 to approximately 1.59 as at 30 June 2010.

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. The Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

CHARGES ON ASSETS

As at 30 June 2010, the Group's bank deposits of approximately HK$26.4 million, property, plant and equipment with an aggregate net book value of approximately HK$156.8 million, and land use rights with an aggregate net book value of approximately HK$31.9 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

CAPITAL COMMITMENT

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

CONTINGENT LIABILITIES

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

EMPLOYMENT AND EMOLUMENT POLICY

As at 30 June 2010, the Group had about 1,100 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.

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 2010 (six month ended 30 June 2009: 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 non-compliance 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 2010.

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 (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis. Mr. Lo Ming Chi, Charles 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 2010 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 2010 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".

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on both the websites of the Company (www.hembly.com) and of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2010 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board of
New Environmental Energy Holdings Limited
Chan Tak Yan
Executive Director

Hong Kong, 30 August 2010

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Ngok Yan Yu, Mr. Marcello Appella, Mr. Chan Tak Yan, Mr. Ng Cheuk Fan, Keith and Ms. Yu Sau Lai; three non-executive directors, namely Mr. Ho Gilbert Chi Hang, Mr. Mok Chung Kwan, Stephen and 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.