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 2010

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 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	**2010** ***HK$'000***	2009 *HK$'000* (restated)
Continuing operations			
Revenue	*3*	**195,233**	117,598
Cost of sales		**(283,080)**	(54,027)
Gross (loss) profit		**(87,847)**	63,571
Other income, gains and losses	*4*	**(86,015)**	(25,934)
Gain on fair value change of embedded derivatives		**23,896**	—
Administrative expenses		**(139,041)**	(17,931)
Distribution and selling costs		**(2,808)**	(8,175)
Gain (loss) on disposal of subsidiaries		**38,627**	(30,884)
Impairment loss on goodwill		**(415,913)**	(645,060)
Impairment loss on property, plant and equipment		**—**	(1,903)
Share of results of an associate		**1,675**	—
Finance costs	*5*	**(81,165)**	(17,915)
Loss before tax	*6*	**(748,591)**	(684,231)
Income tax credit (expense)	*7*	**11,601**	(934)
Loss for the year from continuing operations		**(736,990)**	(685,165)

	NOTES	2010 HK$'000	2009 HK$'000 (restated)
Discontinued operation			
Loss for the year from discontinued operations	8	**(44,006)**	(293,021)
Loss for the year		**(780,996)**	(978,186)
Other comprehensive income (expense)			
Exchange differences on translation			
Exchange difference arising during the year		**69,113**	(10,641)
Exchange difference arising from an associate during the year		**2,079**	—
Reclassification adjustment upon disposal of a jointly controlled entity		**—**	(647)
Reclassification adjustment upon disposal of subsidiaries		**(52,138)**	(15,685)
Available-for-sale investments			
Fair value gain on available-for-sale investments		**—**	72
Reclassification adjustment on disposal of available-for-sale investments		**—**	(367)
Other comprehensive income (expense) for the year (net of tax)		**19,054**	(27,268)
Total comprehensive expense for the year		**(761,942)**	(1,005,454)
(Loss) profit for the year attributable to:			
Owners of the Company		**(742,303)**	(978,257)
Non-controlling interests		**(38,693)**	71
		(780,996)	(978,186)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(724,667)**	(1,005,655)
Non-controlling interests		**(37,275)**	201
		(761,942)	(1,005,454)
Loss per share	10		
From continuing and discontinued operations			
Basic		**HK(85.51) cents**	HK(225.98) cents
Diluted		**HK(85.51) cents**	HK(225.98) cents
From continuing operations			
Basic		**HK(80.44) cents**	HK(158.29) cents
Diluted		**HK(80.44) cents**	HK(158.29) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**32,610**	196,148
Intangible assets		**5,254**	6,722
Goodwill		**—**	423,280
Prepaid lease payments		**2,262**	65,898
Amounts due from grantors for contract work		**155,404**	137,134
Amount due from a related company	*12*	**60,238**	—
Available-for-sale investments		**44,152**	34,700
Financial assets at fair value through profit or loss		**—**	6,404
Advance payment for acquisition of an associate		**—**	74,254
Interest in an associate		**78,775**	—
Deposits paid for construction of infrastructure in service concession arrangements		**152,890**	107,068
		531,585	1,051,608
Current assets			
Inventories		**27,225**	206,670
Trade receivables	*11*	**105,188**	171,693
Deposits, prepayments and other receivables		**76,319**	118,795
Deferred consideration receivable		**—**	58,264
Prepaid lease payments		**50**	1,528
Amounts due from related companies	*12*	**58,466**	87,898
Amounts due from jointly controlled entities		**—**	11,634
Amount due from a former jointly controlled entity		**—**	405
Amount due from an associate		**2,948**	—
Tax recoverable		**—**	682
Available-for-sale investments		**—**	511
Pledged bank deposits		**3,538**	6,666
Bank deposits with original maturity of more than three months		**—**	96,536
Bank balances and cash		**34,280**	125,303
		308,014	886,585

	NOTE	2010 HK$'000	2009 HK$'000
Current liabilities			
Trade payables	*13*	**30,297**	85,011
Other payables and accruals		**129,720**	151,740
Amounts due to related companies		**—**	265,569
Amounts due to joint venturers of jointly controlled entities		**—**	10,582
Amounts due to jointly controlled entities		**—**	27,084
Taxation payable		**17,560**	41,578
Obligations under finance leases — due within one year		**593**	777
Borrowings — due within one year		**67,689**	124,343
Bank overdrafts		**2**	2,425
		245,861	709,109
Net current assets		**62,153**	177,476
Total assets less current liabilities		**593,738**	1,229,084
Non-current liabilities			
Obligations under finance leases — due after one year		**61**	576
Borrowings — due after one year		**—**	181,554
Convertible notes		**251,730**	294,796
Convertible bonds		**133,867**	—
Embedded derivatives		**11,701**	—
Promissory notes		**96,757**	191,533
Deferred consideration payable		**461**	461
Deferred tax liabilities		**27,682**	53,667
		522,259	722,587
		71,479	506,497
Capital and reserves			
Share capital		**101,053**	65,830
Reserves		**(32,906)**	399,962
Equity attributable to owners of the Company		**68,147**	465,792
Non-controlling interests		**3,332**	40,705
		71,479	506,497

Notes:

1. **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

New and revised Standards and Interpretations applied in the current year

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009, except for the amendments to paragraph 58 of HKFRS 5 and paragraph 80 of HKAS 39
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK (IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipated that HKFRS 9 will be adopted in Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of HKFRS 9 may have a significant impact on the Group's financial assets, in particular, available-for-sale investments.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. 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 Directors 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 ("BOT") 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 and distribution and retailing of apparel and footwear in prior years. Those operation were discontinued during the year ended 31 December 2010 and 31 December 2009 respectively. The segment information does not include any amounts for these discontinued operations.

Segment revenues and results

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

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*
SEGMENT REVENUE			
External sales	**143,601**	**51,632**	**195,233**
RESULT			
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)**

For the year ended 31 December 2009

	Continuing operations			
	Trading of apparel and accessories *HK$'000*	Waste treatment and waste-to-energy business *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
SEGMENT REVENUE				
External sales	106,198	11,400	—	117,598
Inter-segment sales *(note)*	108,768	—	(108,768)	—
Total	214,966	11,400	(108,768)	117,598
RESULT				
Segment profit (loss)	20,300	(648,092)		(627,792)
Unallocated income				1,744
Unallocated expense				(9,383)
Loss on disposal of subsidiaries				(30,884)
Finance costs				(17,916)
Loss before tax (continuing operations)				(684,231)

Note: Inter-segment sales are charged at prevailing market rates.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of bank interest income, royalty fee income, central administration cost, directors' salaries, gain (loss) on disposal of subsidiaries, gain on change in fair value of embedded derivatives, finance costs and income tax expense. 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 2010

	Continuing operations		
	Trading of apparel and accessories *HK$'000*	Waste treatment and waste-to-energy business *HK$'000*	Total *HK$'000*
ASSETS			
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			**839,599**
LIABILITIES			
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			**768,120**

As at 31 December 2009

	Continuing operations		
	Trading of apparel and accessories	Waste treatment and waste-to-energy business	Total
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	185,648	877,644	1,063,292
Financial assets at FVTPL			6,404
Pledged bank deposits			6,666
Bank deposit with original maturity of more than three months			96,536
Bank balances and cash			125,303
Other unallocated assets			1,653
Consolidated assets			1,299,854
LIABILITIES			
Segment liabilities	22,814	171,193	194,007
Amounts due to related companies			250,000
Borrowings			305,897
Convertible notes			294,796
Promissory notes			191,533
Deferred consideration payable			461
Obligations under finance leases			1,353
Taxation payable			41,578
Deferred tax liabilities			53,667
Other unallocated liabilities			13,298
Consolidated liabilities			1,346,590

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

- all assets are allocated to reportable segments other than available-for-sale investments in unlisted funds, financial assets at FVTPL, deferred tax assets, pledged bank deposits, bank deposits with original maturity of more than three months, 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, bank overdrafts, obligations under finance leases, convertible bonds, embedded derivatives, convertible notes, promissory notes, deferred consideration payable and liabilities for which reportable segments are jointly liable.

Other segment information

For the year ended 31 December 2010

	Continuing operations		
	Trading of apparel and accessories	**Waste treatment and waste-to-energy business**	**Total**
	HK$'000	*HK$'000*	*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 expected losses in relation to service concession arrangements	**—**	**34,355**	**34,355**
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**

For the year ended 31 December 2009

	Continuing operations		
	Trading of apparel and accessories	Waste treatment and waste-to-energy business	Total
	HK$'000	*HK$'000*	*HK$'000*
Capital additions *(note)*	182	1,110,338	1,110,520
Amortisation of prepaid lease payments	—	3	3
Amortisation of intangible assets	—	126	126
Depreciation of property, plant and equipment	2,758	452	3,210
Impairment loss on property, plant and equipment	1,903	—	1,903
Impairment loss on trade receivables	9,146	—	9,146
Impairment loss on deposits, prepayments and other receivables	1,174	—	1,174
Impairment loss on goodwill	—	645,060	645,060
Loss on disposal of property, plant andequipment	196	3	199

Note: Capital additions included additions to goodwill, property, plant and equipment, prepaid lease payments and intangible assets.

Geographical information

The Group's operations are principally located in the PRC excluding Hong Kong (country of domicile) 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	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Europe				
Italy	**57,084**	39,864	**—**	—
Other European countries	**6,375**	44,018	**—**	—
The PRC (country of domicile)	**131,774**	12,695	**269,143**	645,915
Hong Kong	**—**	7,824	**2,648**	4,324
Others	**—**	13,197	**—**	—
	195,233	117,598	**271,791**	650,239

Note: Non-current assets excluded those relating to discontinued operation, financial instruments and deferred tax assets.

3. REVENUE

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

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Trading of apparel and accessories	**143,601**	106,198
Provision of construction service under service concession arrangements	**34,507**	11,400
Sales of waste-to-energy machines	**17,125**	—
	195,233	117,598

4. OTHER INCOME, GAINS AND LOSSES

	2010 *HK$'000*	2009 *HK$'000*
Continuing operations		
Bank interest income	**1,454**	57
Interest income on amounts due from grantors for contract work	**5,964**	568
Total interest income	**7,418**	625
(Loss) gain on change in fair value of financial assets at FVTPL	**(165)**	436
Gain on disposal of available-for-sale investments	**—**	367
Management fee income from jointly controlled entities	**—**	720
Royalty fee income	**—**	41
Gain on sale of raw materials	**—**	2,156
Sundry income	**640**	722
Bad debt recovered	**8,765**	—
Impairment loss recognised in respect of trade receivables	**(1,380)**	(9,146)
Compensation for delay in performing a contract	**(11,494)**	—
Provision for penalty charges in relation to construction of waste-of-energy plant	**(36,610)**	(20,681)
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(53,189)**	(1,174)
	(86,015)	(25,934)

5. FINANCE COSTS

	2010 *HK$'000*	2009 *HK$'000*
Continuing operations		
Interest on:		
Borrowings and overdrafts wholly repayable within five years	**11,166**	12,531
Promissory notes	**24,478**	1,387
Convertible notes	**32,008**	2,570
Convertible bonds	**13,464**	—
Obligations under finance leases	**49**	—
Amounts due to joint venturers of jointly controlled entities	**—**	1,427
	81,165	17,915

6. LOSS BEFORE TAX

	2010	2009
	HK$'000	*HK$'000*
Loss before tax has been arrived at after charging:		
Continuing operations		
Auditors' remuneration	**3,480**	1,444
Cost of inventories recognised as an expense	**130,589**	5,375
Contract cost recognised for waste treatment business	**69,938**	8,769
Amortisation of intangible assets	**1,468**	126
Depreciation of property, plant and equipment	**5,997**	3,210
Amortisation of prepaid lease payments	**49**	3
Impairment loss recognised in respect of trade receivables	**1,380**	9,146
Impairment loss on property, plant and equipment	**—**	1,903
Reversal of profit recognised in prior years in relation to service concession arrangements (included in cost of sales)	**29,528**	—
Loss on disposal of property, plant and equipment	**620**	199
Provision for expected losses in relation to service concession arrangements (included in cost of sales)	**34,355**	—
Net exchange loss	**42,257**	1,437
Staff costs		
— directors' remuneration	**4,685**	2,924
— other staff costs	**22,205**	15,825
— share-based payments excluding directors	**2,177**	3,864
— retirement benefit scheme contribution excluding directors	**3,533**	1,234
	32,600	23,847

7. INCOME TAX (CREDIT) EXPENSE

	2010	2009
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong	—	—
Other jurisdictions	**2,599**	—
	2,599	—
Underprovision in prior years:		
Hong Kong	—	1
Other jurisdictions	—	—
	—	1
Deferred tax:		
Current year	**(14,200)**	933
	(11,601)	934

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, 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) expense for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss before tax (from continuing operations)	**(748,591)**	(684,231)
Tax at the domestic income tax rate of 25%	**(187,148)**	(171,058)
Tax effect of expenses not deductible for tax purpose	**168,369**	169,162
Tax effect of income not taxable for tax purpose	**(20,885)**	(2,767)
Tax effect of tax losses not recognised	**27,805**	10,085
Tax effect of other deductible temporary differences not recognised	**258**	763
Utilisation of tax losses previously not recognised	—	(5,252)
Underprovision in prior years	—	1
Tax (credit) expense for the year (from continuing operations)	**(11,601)**	934

Note: Majority of the operation of the Group is operated by its PRC subsidiaries which are entitled to a tax rate of 25%.

8. DISCONTINUED OPERATIONS

Pursuant to a memorandum of understanding (the "Memorandum") signed on 24 December 2009, the Company has granted Bloom Origin Limited ("Bloom Origin"), a company wholly owned by Mr. Ngok Yan Yu, a director and a substantial shareholder of the Company, the exclusive right for a period of 12 months from the date of the Memorandum to negotiate and enter into a formal sale and purchase agreement for making investment in Full Prosper Holdings Limited ("Full Prosper"), a wholly-owned subsidiary of the Company, including but not limited to, subscription of new shares and/or convertible instruments in Full Prosper, providing financing or acquiring the interest of Full Prosper and/or companies held by Full Prosper in which the consideration must not exceed HK$450 million.

On 8 June 2010, the Company entered into a formal sale and purchase agreement ("the Agreement") with Full Prosper and Bloom Origin with reference to the Memorandum, pursuant to which Bloom Origin has conditionally agreed to acquire and Full Prosper has conditionally agreed to sell, the entire issued share capital of Full Charm Holdings limited ("Full Charm"), a wholly-owned subsidiary of Full Prosper, for the consideration of HK$450 million. The consideration will be satisfied by HK$250 million earnest money received by the Company during the year ended 31 December 2009 and the cancellation of the HK$200 million promissory note payable to Bright King Investments Limited ("Bright King"). Bright King is beneficially owned by Mr. Ngok Yan Yu, a director and substantial shareholder of the Company.

Full Charm was incorporated in the British Virgin Islands with limited liability on 12 April 2010. As detailed in the Company's announcement dated 16 July 2010, the Group has undertaken a group reorganisation ("the Reorganisation") to transfer most of the subsidiaries held by Full Prosper to Full Charm so that upon completion of the Reorganisation, Full Charm and its subsidiaries are principally engaged in investment holdings and manufacturing of apparel and accessories.

The transaction constituted a very substantial disposal of the Company under the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and was approved by the independent shareholders at an extraordinary general meeting by way of poll. The Reorganisation and disposal was completed on 23 November 2010 and 30 November 2010, respectively, and subsequently, the Group remained to carry on the trading of apparel and accessories business. The manufacture of apparels and accessories operation is treated as a discontinued operation.

On 3 December 2008, the Company entered into a conditional sale agreement with Luxba Group Limited ("Luxba", formerly known as Primewill Investments Limited) 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 operations. The disposal was completed on 30 October 2009, on which date Well Metro ceased to be a subsidiary of the Company.

The loss for the year from the discontinued operations described above are analysed as follows:

	2010 *HK$'000*	2009 *HK$'000* (Restated)
Revenue	**518,496**	705,095
Cost of sales	**(439,622)**	(696,865)
Gross profit	**78,874**	8,230
Other income, gains and losses	**(12,920)**	(17,819)
Gain from bargain purchase of a subsidiary	**2,020**	—
Gain on fair value of conversion option derivative liability	**—**	1,452
Loss on disposal of a jointly controlled entity	**—**	(2,242)
Distribution and selling expenses	**(38,814)**	(70,927)
Administrative expenses	**(19,130)**	(104,828)
Impairment loss on property, plant and equipment	**(38,562)**	(83,725)
Finance costs	**(12,649)**	(28,732)
Loss before tax	**(41,181)**	(298,591)
Income tax (expense) credit	**(2,825)**	563
	(44,006)	(298,028)
Loss on disposal of a subsidiary	**—**	(2,780)
Gain on disposal of a business	**—**	7,787
Loss for the year from discontinued operations	**(44,006)**	(293,021)

9. DIVIDENDS

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: 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

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(742,303)**	(978,257)

Number of shares

	2010	2009
	'000	*'000*
	(Note)	*(Note)*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**868,052**	432,892

Note:

The computation of diluted loss per share for the year ended 31 December 2010 does not assume the exercise of certain 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.

The computation of diluted loss per share for the year ended 31 December 2009 did not assume the exercise of outstanding share options of the Company and the conversion of the outstanding convertible notes and warrants 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:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company	**(742,303)**	(978,257)
Add: Loss for the year from discontinued operations	**44,006**	293,021
Loss for the purposes of basic and diluted loss per share from continuing operations	**(698,297)**	(685,236)

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 (2009: HK67.69 cents per share), based on the loss for the year from the discontinued operations of approximately HK$44,006,000 (2009: HK$293,021,000) and the denominators detailed above for both basic and diluted loss per share.

11. TRADE RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**110,546**	199,122
Less: allowance for doubtful debts	**(5,358)**	(27,429)
	105,188	171,693

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.

	2010	2009
	HK$'000	*HK$'000*
0–90 days	**105,188**	52,756
91–180 days	**—**	82,945
181–360 days	**—**	24,758
Over 360 days	**—**	11,234
	105,188	171,693

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 are debtors with aggregate carrying amount of approximately HK$2,220,000 (2009: HK$118,908,000) which are past due as at the reporting date 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. For customers with receivable balances which are neither past due nor impaired, management considered that they are with high credit quality and respective balances are considered recoverable.

Trade receivables which are past due but not impaired

	2010	2009
	HK$'000	*HK$'000*
Overdue by:		
1–90 days	**2,220**	81,814
91–180 days	**—**	25,860
181–360 days	**—**	—
Over 360 days	**—**	11,234
Total	**2,220**	118,908

Movement in the allowance for doubtful debts

	2010	2009
	HK$'000	*HK$'000*
Balance at beginning of the year	**27,429**	4,585
Exchange realignment	**—**	(688)
Impairment losses recognised on receivables	**1,380**	24,491
Impairment losses reversed	**(6,631)**	—
Eliminated on disposal of a subsidiary	**(16,820)**	(959)
Balance at end of the year	**5,358**	27,429

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$5,358,000 (2009: HK$27,429,000) 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.

12. AMOUNTS DUE FROM RELATED COMPANIES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables		
Sergio Tacchini International S.P.A. *(Note a)*	**58,466**	54,553
SH Biomax GEP *(Note b)*	**21,853**	25,270
	80,319	79,823
Other receivable		
SH Biomax GEP *(Note b)*	**38,385**	8,075
Total	**118,704**	87,898
Analysed as		
Current	**58,466**	87,898
Non-current	**60,238**	—
	118,704	87,898

Note:

(a) Mr. Ngok Yan Yu, a director and substantial shareholder of the Company, has controlling interests in this company.

(b) Mr. Ngok Yan Yu, a director and substantial shareholder of the Company, is a beneficial owner in this company. The trade receivable of SH Biomax GEP are past due over 1 year (2009: 1 year) but not impaired. Other receivable due from SH Biomax GEP is unsecured and interest free. In the opinion of the Directors, the receivables will not be repayable in the next 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$60,238,000. The imputed interest is recognised as deemed investment cost for the available-for-sale investments. During the year, Mr. Ngok Yan Yu disposed of his 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 Sergio Tacchini International S.P.A. 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 reporting date is as follows:

	2010	2009
	HK$'000	*HK$'000*
0–90 days	**12,982**	51,403
91–180 days	**35,285**	3,150
181–360 days	**10,136**	—
Over 360 days	**21,916**	25,270
Total	**80,319**	79,823

Included in the Group's amounts due from related companies is aggregate carrying amount of approximately HK$64,083,000 (2009: HK$54,622,000) which is past due at 31 December 2010 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. The Group does not hold any collateral over the balance.

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

	2010	2009
	HK$'000	*HK$'000*
Overdue by:		
1–90 days	**31,217**	27,798
91–180 days	**4,844**	1,554
181–360 days	**6,130**	—
Over 360 days	**21,892**	25,270
Total	**64,083**	54,622

13. TRADE PAYABLES

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

	2010	2009
	HK$'000	*HK$'000*
0–90 days	**12,001**	32,452
91–180 days	**8,878**	17,697
181–360 days	**—**	22,939
Over 360 days	**9,418**	11,923
	30,297	85,011

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 reached approximately HK$713.7 million, (including trading of apparel and accessories and waste treatment and waste-to-energy business which are classified as "Continuing Operations" and manufacture of apparel and accessories which is classified as "Discontinued Operations") representing decrease of approximately 13.2% over last year. The net loss attributable to the Company's equity holders amounted to approximately HK$742.3 million for the year under review.

Supply Chain Services

During the year under review, the Group's revenue for its supply chain services (including trading of apparel and accessories (classified as "Continuing Operations") and manufacture of apparel and accessories (classified as "Discontinued Operations") reached approximately HK$662.1 million, representing decrease of approximately 9.2%, as compared to last year, which accounted for approximately 92.8% of the Group's revenue in the financial year 2010.

For the year under review, the Group attained a gross profit of approximately 13.9%, as compared to approximately 3.0% for last year. The increase is mainly attributable to the decrease in stock provisions.

Waste to Energy Business

During the year under review, the Group's revenue for its waste treatment and waste-to-energy business reached approximately HK$51.6 million, representing increase of approximately 352.9%, as compared to last year, which accounted for approximately 7.2% of the Group's revenue in the financial year 2010. For clarity, the acquisition of waste treatment and waste-to-energy business was completed on 11 December 2009. As such, the Group only derived revenue attributing from its waste treatment and waste-to-energy less than 1 month last year.

For the year under review, its gross loss is approximately 195.3%.

Operating expenses

In 2010, the Group's distribution and selling costs, including continuing and discontinued operations, decreased significantly by 47.4% to HK$41.6 million, as compared to last year, the decrease is mainly attributable to the disposal of the distribution and retailing of apparels and footwear business, which was completed on 30 October 2009.

The Group's administrative expenses, including continuing and discontinued operations, increased by 28.9% from HK$122.8 million to HK$158.2 million, this increase is mainly attributable to the acquisition of waste treatment and wastes-to-energy business, which was completed on 11 December 2009.

Finance Costs

Finance costs, including continuing and discontinued operations, increased by 101.1% to HK$93.8 million, as compared to 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 31 December 2010, the Group had cash and bank balances of HK$37.8 million, primarily denominated in RMB and HK dollars (31 December 2009: HK$228.5 million), and total borrowings of HK$67.7 million (31 December 2009: HK$308.3 million), all of which are short-term borrowings. The Group's borrowings were primarily denominated in RMB and HK dollars. As at 31 December 2010, 26.1% and 73.9% of the Group's total borrowings were denominated in RMB and HK dollars, respectively, with 73.9% of the total borrowing subject to fixed interest rates and 26.1% subject to floating 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, increased from 0.17 as at 31 December 2009 to 0.44 as at 31 December 2010. The current ratio, which is calculated on the basis of current assets over current liabilities, remained at 1.25 for both years ended 31 December 2009 and 31 December 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. 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 2010, the Group's bank deposits of HK$3.5 million, and property, plant and equipment with an aggregate net book value of HK$25.5 million were pledged to secure general banking facilities and bank borrowing granted to the Group.

Capital Commitment

As at 31 December 2010, the Group had capital commitment of HK$451.0 million in respect of the construction infrastructure under service concession arrangement, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Employment Information

As at 31 December 2010, 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 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 2010.

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, except that the Company was deviated from Code Provision A.1.8 in respect of a very substantial disposal and connected transaction of the Company, in which Mr. Ngok Yan Yu, the chairman and an executive Director of the Company, had material interest. The transaction was considered and approved by the Board on 1 June 2010 by way of written resolutions rather than holding a Board meeting. The Company decided to circulate the relevant documents to all Directors for their consideration and approval by reason of the materiality of the proposed transaction and the fact given that certain Directors of the Company should not be available at the time proposed for a meeting.

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 2010, 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 FINAL 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 and on the Company's website at www.neeh.com.hk. The annual report for the year ended 31 December 2010 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
Chan Tak Yan
Executive Director

Hong Kong, 31 March 2011

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; 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.