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 2011

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 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Continuing operations			
Revenue	*3*	**21,945**	63,344
Cost of sales		**(34,424)**	(47,632)
Gross (loss) profit		**(12,479)**	15,712
Other income, gains and losses	*4*	**10,673**	5,519
Gain on disposal of subsidiaries		**—**	38,627
Administrative expenses		**(157,643)**	(77,059)
Distribution and selling expenses		**(20)**	(12,559)
Finance costs	*5*	**(34,207)**	(39,468)
Gain on fair value change of embedded derivatives		**4,151**	16,799
Impairment loss on goodwill		**—**	(144,184)
Share of results of an associate		**5,835**	2,281
Loss before tax		**(183,690)**	(194,332)
Income tax credit	*6*	**2,589**	1,619
Loss for the period from continuing operations		**(181,101)**	(192,713)

	Notes	Six months ended 30 June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited) (restated)
Discontinued operations			
Loss for the period from discontinued operations		**—**	(106,431)
Loss for the period	*7*	**(181,101)**	(299,144)
Other comprehensive income			
Exchange differences on translation			
Exchange difference arising during the period		**44,046**	25,173
Exchange difference arising from an associate during the period		**1,704**	—
Reclassification adjustment on disposal of a subsidiary		**—**	562
Other comprehensive income for the period		**45,750**	25,735
Total comprehensive expense for the period		**(135,351)**	(273,409)
Loss for the period attributable to:			
Owners of the Company		**(180,389)**	(292,945)
Non-controlling interests		**(712)**	(6,199)
		(181,101)	(299,144)
Total comprehensive expense attributable to:			
Owners of the Company		**(134,639)**	(267,210)
Non-controlling interests		**(712)**	(6,199)
		(135,351)	(273,409)
LOSS PER SHARE	*9*		
From continuing and discontinued operations			
Basic		**HK(16.80) cents**	HK(37.98) cents
Diluted		**HK(16.80) cents**	HK(38.30) cents
From continuing operations			
Basic		**HK(16.80) cents**	HK(24.18) cents
Diluted		**HK(16.80) cents**	HK(24.97) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*10*	**14,689**	32,610
Intangible assets		**4,520**	5,254
Prepaid lease payments		**2,283**	2,262
Amounts due from grantors for contract work		**170,482**	155,404
Amount due from a related company	*12*	**—**	60,238
Amount due from an investee	*13*	**65,351**	—
Available-for-sale investments		**44,152**	44,152
Interest in an associate		**86,314**	78,775
Deposits paid for construction of infrastructure in service concession arrangements		**156,083**	152,890
		543,874	531,585
Current assets			
Inventories		**13,897**	27,225
Trade receivables	*11*	**51,280**	105,188
Deposits, prepayments and other receivables		**101,153**	76,319
Prepaid lease payments		**50**	50
Amounts due from related companies	*12*	**—**	58,466
Amount due from an associate		**779**	2,948
Pledged bank deposits		**3,492**	3,538
Bank balances and cash		**80,287**	34,280
		250,938	308,014
Assets classified as held for sale		**16,329**	—
		267,267	308,014
Current liabilities			
Trade payables	*14*	**21,710**	30,297
Other payables and accruals		**159,259**	129,720
Taxation payable		**17,796**	17,560
Obligations under finance leases — due within one year		**223**	593
Borrowings — due within one year		**—**	67,689
Bank overdrafts		**—**	2
		198,988	245,861
Net current assets		**68,279**	62,153
Total assets less current liabilities		**612,153**	593,738

	Notes	**30 June 2011** *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
Non-current liabilities			
Obligations under finance leases — due after one year		**53**	61
Borrowings — due after one year		**50,000**	—
Convertible bonds	*15*	**143,998**	133,867
Embedded derivatives	*15*	**7,550**	11,701
Convertible notes		**123,988**	251,730
Promissory notes		**103,340**	96,757
Deferred consideration payable		**—**	461
Deferred tax liabilities		**11,984**	27,682
		440,913	522,259
		171,240	71,479
Capital and reserves			
Share capital		**141,131**	101,053
Reserves		**27,489**	(32,906)
Equity attributable to owners of the Company		**168,620**	68,147
Non-controlling interests		**2,620**	3,332
		171,240	71,479

Note:

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 34"), *Interim Financial Reporting*.

The functional currency of the Company is Renminbi. For users' convenience of the condensed consolidated financial statements, the results and financial position of the Company and its subsidiaries (collectively referred as the "Group") are expressed in Hong Kong dollar, i.e. the presentation currency for the condensed 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 fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2010.

Application of new and revised standards and interpretations ("new or revised HKFRS")

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRS issued by the HKICPA:

* *Improvements to HKFRSs issued in 2010*

* HKAS 24 (as revised in 2009) *Related Party Disclosure*

* Amendment to HKAS 32 *Classification of Rights Issues*

* Amendments to HK(IFRIC) — Int 14 *Prepayments of a Minimum Funding requirement*

* HK (IFRIS) — Int 19 *Extinguishing Financial Liabilities with Equity Instruments*

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

HKFRSs issued but not yet effective:

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statement[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 27 (as revised in 2011)	Separate Financial Statements[2]
HKFRS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013

The directors are currently evaluating the impact of the adoption of these new or revised standards on its financial statements. Such impact will be disclosed in future consolidated financial statements of the Group upon completion of the assessments.

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 assessment are as follows:

(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 People's Republic of China (the "PRC") primarily on a build-operate-transfer ("BOT") basis with a concessionary period of 25 to 30 years.

Information regarding the above segments is reported below.

Six months ended 30 June 2011 (unaudited)

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	**16,341**	**5,604**	**21,945**
Segment result	**(103,860)**	**(14,350)**	**(118,210)**
Unallocated income			**727**
Unallocated corporate expenses			**(41,986)**
Gain on fair value change of embedded derivatives			**4,151**
Share of results of an associate			**5,835**
Finance costs			**(34,207)**
Loss before tax			**(183,690)**

Six months ended 30 June 2010 (unaudited)

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	46,515	16,829	63,344
Segment result	(12,846)	(180,779)	(193,625)
Unallocated income			2,346
Unallocated corporate expenses			(21,292)
Gain on disposal of subsidiaries			38,627
Gain on fair value change of embedded derivatives			16,799
Share of results of an associate			2,281
Finance costs			(39,468)
Loss before tax			(194,332)

Segment loss represents the loss incurred by each segment without allocation of interest income, corporate expenses, gain on fair value change of embedded derivatives, gain on disposal of subsidiaries, 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.

Other segment information

Six months ended 30 June 2011 (unaudited)

Continuing operations

	Trading of apparel and accessories *HK$'000*	**Waste treatment and waste-to-energy business** *HK$'000*	**Total** *HK$'000*
Provision for penalty charge in relation to construction of waste-to-energy plant	**—**	**5,243**	**5,243**
Impairment loss on inventories	**13,897**	**—**	**13,897**
Impairment loss on trade receivables	**66,194**	**—**	**66,194**
Impairment loss on prepayments to suppliers	**19,063**	**—**	**19,063**

Six months ended 30 June 2010 (unaudited)

Continuing operations

	Trading of apparel and accessories *HK$'000*	Waste treatment and waste-to-energy business *HK$'000*	Total *HK$'000*
Provision for penalty charge in relation to construction of waste-to-energy plant	—	20,729	20,729

4. Other Income, Gain and Losses

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Bank interest income	**727**	2,346
Effective interest income on amount due from a related company	**2,363**	—
Effective interest income on amounts due from grantors for contract work	**7,205**	2,902
Loss on change in fair value of financial assets at fair value through profit or loss	**—**	(165)
Sundry income	**378**	436
	10,673	5,519

5. Finance Costs

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**2,258**	7,188
Convertible bonds	**10,131**	3,895
Convertible notes	**15,688**	15,964
Obligations under finance leases	**8**	41
Promissory notes	**6,122**	12,380
	34,207	39,468

6. Income Tax Credit

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%.

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
PRC and other jurisdictions	**—**	63
Deferred tax:		
Current period	**(2,589)**	(1,682)
Income tax credit relating to continuing operations	**(2,589)**	(1,619)

7. Loss for the Period

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing Operations		
Cost of inventories recognised as an expense	**14,708**	34,568
Depreciation of property, plant and equipment	**2,327**	2,551
Amortisation of prepaid lease payments	**26**	26
Amortisation of intangible assets	**734**	734
Loss on disposal of property, plant and equipment	**—**	157
Net exchange loss	**35,593**	11,613
Provision for penalty charge in relation to construction of waste-to-energy plant (included in administrative expenses)	**5,423**	20,729
Impairment loss on inventories (included in cost of sales)	**13,897**	—
Impairment loss on trade receivables (included in administrative expenses)	**66,194**	—
Impairment loss on prepayments to suppliers (included in administrative expenses)	**19,063**	—

8. Dividend

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

9. Loss Per Share

From continuing and discontinued operations

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(180,389)**	(292,945)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**—**	(12,904)
Loss for the purpose of diluted loss per share	**(180,389)**	(305,849)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,073,831**	771,290
Effect of dilutive potential ordinary shares:		
Convertible bonds	**—**	27,235
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,073,831**	798,525

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

From continuing operations

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	**(180,389)**	(292,945)
Less: Loss for the period from discontinued operations	**—**	106,431
Loss for the purpose of basic loss per share from continuing operations	**(180,389)**	(186,514)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**—**	(12,904)
Loss for the purpose of diluted loss per share from continuing operations	**(180,389)**	(199,418)

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 2010, basic loss per share from discontinued operations is HK13.80 cents per share and diluted loss per share from discontinued operations is HK13.33 cents per share, based on the loss for the period from discontinued operations of HK$106,431,000 and the denominators detailed above for both basic and diluted loss per share.

10. Movements in Property, Plant and Equipment

During the period, no property, plant and equipment are acquired nor constructed in progress was capitalised by the Group (for the six months ended 30 June 2010: approximately HK$46,714,000).

11. 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 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
0–90 days	**—**	105,188
181–360 days	**51,280**	—
	51,280	105,188

As at 30 June 2011, the carrying amount of trade receivables is HK$51,280,000 (31 December 2010: HK$105,188,000), after deduction of accumulated allowance for doubtful debts of HK$71,552,000 (31 December 2010: HK$5,358,000).

The impairment loss on trade receivables of HK$66,194,000 for the current period (for the six months ended 30 June 2010: HK$ nil) relate to trade receivables due from a customer of gross amount HK$55,653,000 and trade receivable of gross amount HK$61,821,000 reclassified from amount due from a related company (disclosed in Note 16). The impairment loss of HK$4,373,000 and HK$61,821,000 are recognised in respect of trade receivable due from the customer and trade receivable reclassified from amount due from a related company respectively since they are considered irrecoverable by the management after consideration of the credit quality of these customers, on their existing trade relationship with the Group, the aging of these receivables and the estimation of future cash flow.

In addition, in the opinion of the directors, the remaining balance is considered to be recoverable with reference to subsequent settlement and repayment schedule entered into subsequent to 30 June 2011.

12. Amounts Due from Related Companies

	30 June 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
Trade receivables		
Sergio Tacchini International S.P.A. ("ST") *(Note a)*	—	58,466
Shanghai Biomax Green Energy Park Company Limited ("SH Biomax GEP") *(Note b)*	—	21,853
	—	80,319
Other receivable		
SH Biomax GEP *(Note b)*	—	38,385
	—	118,704
Analysed as		
Current	—	58,466
Non-current	—	60,238
	—	118,704

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 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
0–90 days	—	12,982
91–180 days	—	35,285
181–360 days	—	10,136
Over 360 days	—	21,916
	—	80,319

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 period, Mr. Ngok Yan Yu resigned his directorship of the Company on 27 May 2011 and was not key management personnel of the Group as at 30 June 2011. Hence, ST is not considered as related company to the Group as at 30 June 2011 in accordance with HKAS 24 *Related Party Disclosure*. The balance with ST as at 30 June 2011 was therefore included in trade receivables (Note 11).

(b) Mr. Ngok Yan Yu, who was a director and substantial shareholder of the Company with significant influence as at 31 December 2010, was beneficial owner in SH Biomax GEP. Since Mr. Ngok Yan Yu resigned his directorship of the Company and was not key management personnel of the Group as at 30 June 2011. SH Biomax GEP is not considered as related company to the Group as at 30 June 2011 in accordance with HKAS 24 *Related Party Disclosure*. These balances with SH Biomax GEP as at 30 June 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.

13. Amount due from an Investee

	30 June 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
Trade receivable		
SH Biomax GEP *(Note)*	**22,570**	—
Other receivable		
SH Biomax GEP *(Note)*	**42,781**	—
	65,351	—

Note:

The trade receivable and other receivable of SH Biomax GEP are reclassified from amount due from a related party (disclosed in Note 12) during the six month period ended 30 June 2011.

The amount due from an investee at the end of the reporting period is aged over 360 days based on the invoice date.

The receivables due from SH Biomax GEP, available-for-sale investment of the Group, are past due over 1.5 year (2010: over 1 year) but not impaired. In the opinion of the directors, the receivables will not be repayable in the next 18 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$65,351,000 (31 December 2010: HK$60,238,000). The initial fair value adjustment thereon is recognised as deemed investment cost for the available-for-sale investments.

14. Trade Payables

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

	30 June 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
0–90 days	**7**	12,001
91–180 days	**6,400**	8,878
181–360 days	**7,389**	—
Over 360 days	**7,914**	9,418
	21,710	30,297

15. 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 Investment Holdings Limited ("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, 13 April 2015, 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, 12 June 2013, 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 being conversion options derivatives and redemption options derivatives. The effective interest rate of the liability component is 15.849% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

The conversion price for the Convertible Bonds was adjusted to HK$2.40 per share on 23 May 2011 upon completion of the placing of shares.

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

	Liability component *HK$'000*	**Embedded derivatives** *HK$'000*
At 31 December 2010	133,867	11,701
Effective interest charged to profit or loss *(Note 5)*	10,131	—
Gain on fair value change of embedded derivatives	—	(4,151)
At 30 June 2011	143,998	7,550

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 31 December 2010 and 30 June 2011 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:

	31 December 2010	**30 June 2011**
Share price	HK$0.73	**HK$0.63**
Risk-free rate	1.472%	**0.882%**
Time to maturity	4.45 years	**3.95 years**
Dividend yield	0%	**0%**
Volatility	45.74%	**44.88%**

BUSINESS AND FINANCIAL REVIEW

Overview

In the first half of 2011, the Group's revenue, from its continuing operation, reached approximately HK$21.9 million, representing a decrease of 65.4% over the same period last year. Loss attributable to the Company's equity holders was approximately HK$180.4 million, as compared to loss attributable to the Company's equity holders of HK$292.9 million for the same period last year.

Trading of Apparel and Accessories Business

During the period under review, the Group's revenue for its trading of apparel and accessories business reached approximately HK$16.3 million, representing decrease of approximately 64.9%, as compared to same period last year, which accounted for approximately 74.5% of the Group's revenue in the first half of 2011.

For the period under review, the Group's trading of apparel and accessories business attained a gross loss of HK$12.2 million. The gross loss is mainly due to the stock provisions included in the cost of sales.

Waste to Energy Business

During the period under review, the Group's revenue for its waste to energy business reached approximately HK$5.6 million, representing decrease of approximately 66.7%, as compared to same period last year, which accounted for approximately 25.5% of the Groups revenue in the first half of 2011.

Operating Expenses

During the period under review, the distribution and selling expenses for the Group's continuing operation decreased by approximately 99.8% to approximately HK$20,000, as compared to the corresponding period last year. The decrease is mainly attributable to the supply chain business, which was disposed of and completed on 30 November 2010.

The Group's administrative expenses, increased by approximately 104.6% to approximately HK$157.6 million for the Group's continuing operation during the period under review.

The increase in administrative expenses is mainly attributable to the impairment loss on trade receivables and prepayment to supplier.

FINANCE COSTS

Finance costs, for the Group's continuing operations, decreased by approximately 13.3% to approximately HK$34.2 million, as compared to the same period last year. This decrease is mainly attributable to the decrease in the interest on promissory note and bank borrowings.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2011, the Group had cash and bank balances of approximately HK$83.8 million, primarily denominated in RMB and HK dollars, (31 December 2010: HK$37.8 million), and total borrowings of approximately HK$50 millions (31 December 2010: HK$67.7 million), all of which are long-term borrowings. The Group's borrowings were denominated in 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 cash equivalent) over the total shareholders' equity of the Company, was approximately 0.44 as at 31 December 2010. Net gearing ratio has not been calculated as at 30 June 2011 as cash and cash equivalent exceeded borrowings as at 30 June 2011. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from approximately 1.25 as at 31 December 2010 to approximately 1.34 as at 30 June 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. 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 2011, the Group's bank deposits of approximately HK$3.4 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

CAPITAL COMMITMENT

As at 30 June 2011, 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 approximately HK$457.5 million.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had no material contingent liabilities.

EMPLOYMENT INFORMATION

As at 30 June 2011, the Group had about 150 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 2011 (six months ended 30 June 2010: nil).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2011.

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 under review.

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, and one non-executive, Mr. Lim Jui Kian. 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 2011 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 2011 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.neeh.com.hk) 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 2011 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
Yu Chang Jian
Chairman

Hong Kong, 30 August 2011

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.