



NEW ENVIRONMENTAL ENERGY
HOLDINGS LIMITED

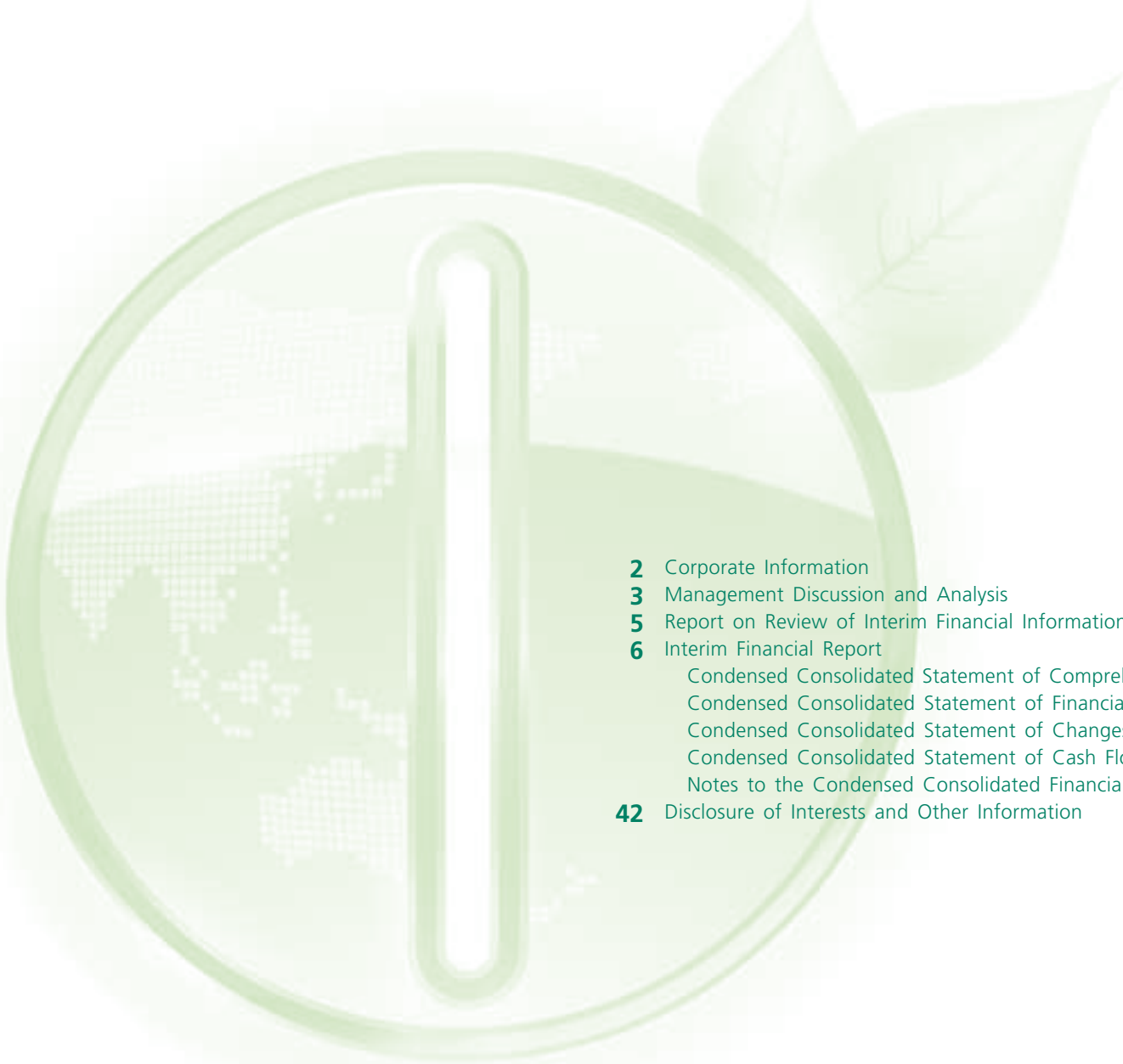
新環保能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股票代號 : 03989



INTERIM REPORT 2011 中期報告



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Chang Jian (*Chairman*)
(Appointed on 27 May 2011)
Mr. Liu Xiao Guang
(Appointed on 27 May 2011)
Mr. Cao Guo Xian
(*Chief Executive Officer*)
(Appointed on 4 July 2011)
Mr. Marcello Appella
Mr. Tang Zhi Bin
(Appointed on 27 May 2011)

Non-executive Directors

Mr. Lim Jui Kian

Alternate Non-executive Director

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

Independent Non-Executive Directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen

COMMITTEES

Audit Committee

Mr. Lo Ming Chi, Charles (*Chairman*)
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Lim Jui Kian

Nomination Committee

Mr. Yu Chang Jian (*Chairman*)
Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis

Remuneration Committee

Mr. Pao Ping Wing (*Chairman*)
Mr. Kwan Hung Sang, Francis
Mr. Yu Chang Jian

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Yu Chang Jian
Ms. Wong Bing Ni

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1613–1618, 16/F.,
Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISER

Conyers Dill and Pearman
Troutman Sanders

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank
(Hong Kong) Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Butterfield Fulcrum Group
(Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 705
George Town
Grand Cayman
Cayman Islands

Branch Registrar in Hong Kong

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

CORPORATE WEBSITE

www.neeh.com.hk

STOCK CODE

03989

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 41, which comprises the condensed consolidated statement of financial position of New Environmental Energy Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (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	26	—	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	21	4,151	16,799
Impairment loss on goodwill		—	(144,184)
Share of results of an associate	13	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)
Discontinued operations			
Loss for the period from discontinued operations	7	—	(106,431)
Loss for the period	8	(181,101)	(299,144)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited) (restated)
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			
From continuing and discontinued operations	10		
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	11	14,689	32,610
Intangible assets		4,520	5,254
Prepaid lease payments		2,283	2,262
Amounts due from grantors for contract work	12	170,482	155,404
Amount due from a related company	16	—	60,238
Amount due from an investee	17	65,351	—
Available-for-sale investments		44,152	44,152
Interest in an associate	13	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	14	13,897	27,225
Trade receivables	15(a)	51,280	105,188
Deposits, prepayments and other receivables	15(b)	101,153	76,319
Prepaid lease payments		50	50
Amounts due from related companies	16	—	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	18	16,329	—
		267,267	308,014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Current liabilities			
Trade payables	19	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	20	—	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
Non-current liabilities			
Obligations under finance leases — due after one year		53	61
Borrowings — due after one year	20	50,000	—
Convertible bonds	21	143,998	133,867
Embedded derivatives	21	7,550	11,701
Convertible notes	22	123,988	251,730
Promissory notes	23	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	24	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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company											
	Share capital	Share premium	Enterprise expansion reserve	Statutory reserve	Translation reserve	Share options reserve	Special reserve	Convertible notes equity reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2010 (audited)	65,830	534,603	2,015	18,843	44,111	3,644	30,052	518,895	(752,201)	465,792	40,705	506,497
Loss for the period	—	—	—	—	—	—	—	—	(292,945)	(292,945)	(6,199)	(299,144)
Exchange differences arising on translation of foreign operations	—	—	—	—	25,173	—	—	—	—	25,173	—	25,173
Reclassification adjustment on disposal of a subsidiary (Note 26)	—	—	—	—	562	—	—	—	—	562	—	562
Total comprehensive income (expense) for the period	—	—	—	—	25,735	—	—	—	(292,945)	(267,210)	(6,199)	(273,409)
Issue of shares under placing	8,574	161,354	—	—	—	—	—	—	—	169,928	—	169,928
Share issuance expense	—	(7,687)	—	—	—	—	—	—	—	(7,687)	—	(7,687)
Recognition of equity-settled share based payments	—	—	—	—	—	144	—	—	—	144	—	144
Exercise of share options	5	73	—	—	—	—	—	—	—	78	—	78
Transfer of share premium upon exercise of share options	—	25	—	—	—	(25)	—	—	—	—	—	—
Lapse of share options	—	—	—	—	—	(652)	—	—	652	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	(98)	(98)
Issue of shares upon conversion of convertible notes	10,537	185,285	—	—	—	—	—	(127,795)	—	68,027	—	68,027
Deferred tax transferred upon conversion of convertible notes	—	—	—	—	—	—	—	9,638	—	9,638	—	9,638
At 30 June 2010 (unaudited)	84,946	873,653	2,015	18,843	69,846	3,111	30,052	400,738	(1,044,494)	438,710	34,408	473,118
At 1 January 2011 (audited)	101,053	953,917	—	—	61,747	2,083	29,677	389,426	(1,469,756)	68,147	3,332	71,479
Loss for period	—	—	—	—	—	—	—	—	(180,389)	(180,389)	(712)	(181,101)
Exchange differences arising on translation of foreign operations	—	—	—	—	44,046	—	—	—	—	44,046	—	44,046
Share of other comprehensive income of an associate	—	—	—	—	1,704	—	—	—	—	1,704	—	1,704
Total comprehensive income (expense) for the period	—	—	—	—	45,750	—	—	—	(180,389)	(134,639)	(712)	(135,351)
Issue of shares under placement	20,202	60,607	—	—	—	—	—	—	—	80,809	—	80,809
Share issuance expense	—	(2,520)	—	—	—	—	—	—	—	(2,520)	—	(2,520)
Issue of shares upon conversion of convertible notes	19,876	350,561	—	—	—	—	—	(227,007)	—	143,430	—	143,430
Deferred tax transferred upon conversion of convertible notes	—	—	—	—	—	—	—	13,393	—	13,393	—	13,393
At 30 June 2011 (unaudited)	141,131	1,362,565	—	—	107,497	2,083	29,677	175,812	(1,650,145)	168,620	2,620	171,240

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

Notes:

- (a) According to the respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion reserve out of profit of statutory financial statements, and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion reserve can be used to expand the capital of the PRC subsidiaries.
- (b) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the relevant PRC subsidiary. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.
- (c) The special reserve represents the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper Holdings Limited acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(19,055)	(166,351)
NET CASH FROM INVESTING ACTIVITIES			
Decrease in bank deposits with original maturity of more than three months		—	60,593
Increase in pledged bank deposits		—	(19,777)
Acquisition of a subsidiary	25	—	5,928
Purchase of property, plant and equipment		—	(46,714)
Disposal of subsidiaries	26	—	(188)
Disposal of financial assets at fair value through profit or loss		—	6,239
Decrease in deferred consideration receivable		—	38,264
Increase in amount due from a related company		—	(30,435)
Receipt in advance for disposal of property, plant and equipment	18	20,465	—
Payments to contractors for construction of infrastructure in service concession arrangements		(6,570)	(10,249)
Other investing cash flows		727	2,511
		14,622	6,172
NET CASH FROM FINANCING ACTIVITIES			
New bank borrowings raised	20	—	275,309
Repayment of bank borrowings		(17,689)	(252,102)
Interest paid		(16)	(11,941)
Issuance of convertible bonds	21	—	156,000
Issuance of shares		80,809	170,006
Share issuance expense		(2,520)	(7,687)
Other financing cash flows		(378)	(373)
		60,206	329,212
NET INCREASE IN CASH AND CASH EQUIVALENTS		55,773	169,033
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(9,764)	1,759
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		34,278	122,878
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		80,287	293,670

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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.

In the current interim period, the Group has applied, the following accounting policy since the Group entered into agreement to dispose of the leasehold land and buildings during this period which are subsequently disposed.

A non-current asset is classified as held for sale if the Group will recover the carrying amount principally through a sale transaction rather than through continuing use. A non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

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 (IFRS) — 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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2011 (unaudited)

Continuing operations

	Trading of apparel and accessories <i>HK\$'000</i>	Waste treatment and waste-to- energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>16,341</u>	<u>5,604</u>	<u>21,945</u>
Segment result	<u>(103,860)</u>	<u>(14,350)</u>	<u>(118,210)</u>
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			<u>(34,207)</u>
Loss before tax			<u>(183,690)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2010 (unaudited)

Continuing operations

	Trading of apparel and accessories <i>HK\$'000</i>	Waste treatment and waste-to-energy business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
External sales	<u>46,515</u>	<u>16,829</u>	<u>63,344</u>
Segment result	<u>(12,846)</u>	<u>(180,779)</u>	(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			<u>(39,468)</u>
Loss before tax			<u>(194,332)</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (continued)

Other segment information

Six months ended 30 June 2011 (unaudited)

Continuing operations

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (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 HK\$'000 (unaudited)	2010 HK\$'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 HK\$'000 (unaudited)	2010 HK\$'000 (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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

7. 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, who at the time of the transaction was a director and a substantial shareholder of the Company with significant influence (Note), 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 to 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 also beneficially owned by Mr. Ngok Yan Yu.

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 holding and manufacturing for sale 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 were completed on 23 November 2010 and 30 November 2010, respectively, and subsequently, the Group carried on the business of trading of apparel and accessories. The comparative figures have been restated to present the manufacture for sale of apparels and accessories operation as a discontinued operations for the period ended 30 June 2010.

Note: 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 Company as at 30 June 2011. Further, his shareholding in the Company was reduced such that he no longer had significant influence over the Company as at 30 June 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

7. DISCONTINUED OPERATIONS (continued)

The results of the Group's manufacture for sale of apparels and accessories operation for the six months ended 30 June 2010 were as follows:

	Six months ended 30 June 2010 <i>HK\$'000</i> (unaudited)
Revenue	305,429
Cost of sales	<u>(307,422)</u>
Gross loss	(1,993)
Other income, gains and losses	(13,501)
Gain from bargain purchase of a subsidiary (Note 25)	2,020
Distribution and selling expenses	(9,303)
Administrative expenses	(19,113)
Impairment loss on property, plant and equipment	(56,000)
Finance costs	<u>(5,142)</u>
Loss before tax	(103,032)
Income tax expense	<u>(3,399)</u>
Loss for the period from discontinued operations	<u><u>(106,431)</u></u>

Loss for the period from discontinued operations was arrived at after charging (crediting) the following items:

	Six months ended 30 June 2010 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	6,043
Amortisation of prepaid lease payments	740
Reversal of impairment loss recognised in respect of trade receivables	(6,347)
Allowance for inventories	20,721
Net exchange loss	<u><u>1,381</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (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	—

9. DIVIDEND

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

10. 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 HK\$'000 (unaudited)	2010 HK\$'000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

10. LOSS PER SHARE (continued)

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 HK\$'000 (unaudited)	2010 HK\$'000 (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	<u>(180,389)</u>	<u>(199,418)</u>

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.

11. 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

12. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

Amounts due from grantors for contract work represent costs incurred by the Group for the construction services rendered under service concession arrangements of waste treatment and waste-to-energy plant in the PRC on a BOT basis (as defined in Note 3), plus attributable profits on the construction services provided less foreseeable losses. Revenues and costs relating to the construction phase of the contract are accounted for in accordance with HKAS 11.

As at 30 June 2011 and 31 December 2010, the Group had two service concession arrangements with certain government authorities in the PRC ("Grantors").

The Group recognised revenue from construction services of approximately HK\$5,537,000 (for the six months ended 30 June 2010: HK\$16,493,000) during the period by reference to the stage of completion of the construction work. Such construction revenue is recognised as construction services rendered by the Group. The provision for penalty charge in relation to construction of waste-to-energy plant of HK\$5,423,000 (for the six months ended 30 June 2010: HK\$20,729,000) is recognised due to the delay of commencement of the operations.

Pursuant to the service concession agreements, the Group is required to surrender these waste treatment and waste-to-energy plants to the Grantors at a specified level of serviceability at the end of the respective service concession periods. As at 30 June 2011, no provision has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions as the operation has not commenced.

13. INTEREST IN AN ASSOCIATE

As at 30 June 2011, the Group held 46% (31 December 2010: 46%) equity interest in 深圳粵能環保再生能源有限公司 ("SZ Yueneng"), which was acquired in April 2010. SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis. The share of results of an associate of HK\$5,835,000 is recognised for the six months ended 30 June 2011 (for the six months ended 30 June 2010: HK\$2,281,000).

14. INVENTORIES

During the six months ended 30 June 2011, there was a significant decrease in the net realisable value of raw materials due to the market condition. As a result, a written down of raw materials of HK\$13,897,000 (for the six months ended 30 June 2010: HK\$ nil) has been recognised and included in the cost of sales in the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

15. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) 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	—
	<u>51,280</u>	<u>105,188</u>

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 receivable 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, 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.

(b) Deposits, prepayments and other receivables

During the current reporting period, the Group recognised the impairment loss on prepayments made during the period to certain suppliers in relation to the orders to suppliers to produce apparels and accessories for the delivery to certain customers in Europe. The Group has assessed the financial condition of the customers and determined that the orders with the suppliers be suspended. An impairment loss of HK\$19,063,000 (for the six months ended 30 June 2010: HK\$ nil) was recognised. As at 30 June 2011, the carrying amount of the prepayments to suppliers is HK\$ 19,063,000 (31 December 2010: HK\$nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

16. AMOUNTS DUE FROM RELATED COMPANIES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

16. AMOUNTS DUE FROM RELATED COMPANIES (continued)

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 15 (a)).
- (b) Mr. Ngok Yan Yu, who was a director and substantial shareholder of the Company with significant influence as at 31 December 2010, has beneficial ownership interests in and significant influence over SH Biomax GEP. Since Mr. Ngok Yan Yu resigned 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 17).

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.

17. 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 16(b)) 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 years (2010: over 1 year) but not impaired. Other receivable due from SH Biomax GEP is unsecured, interest free. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 28 March 2011, the Group entered into an agreement with an independent third party to dispose of leasehold land and buildings, at a consideration of approximately HK\$27,296,000, with a carrying amount of HK\$16,329,000. The disposal was completed after 30 June 2011 and the assets are classified as non-current assets held for sale separately in the condensed consolidated statement of financial position as at 30 June 2011. Deposit of approximately HK\$20,465,000 was received during the six months ended 30 June 2011 and included in other payables.

19. TRADE PAYABLES

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

	30 June 2011 <i>HK\$'000</i> (unaudited)	31 December 2010 <i>HK\$'000</i> (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

20. BORROWINGS

During the period, the Group repaid borrowings of approximately HK\$17,689,000 in accordance with relevant repayment terms during the period. The unsecured borrowing of HK\$50,000,000, which carries interest rate at 9.1% per annum, was extended to be repaid over 1 year. As a result, the borrowing is classified as non-current liabilities as at 30 June 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

21. 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 and redemption option derivatives are 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 as detailed in Note 24.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

21. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES (continued)

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

	Liability component <i>HK\$'000</i>	Embedded derivatives <i>HK\$'000</i>
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)
	<u> </u>	<u> </u>
At 30 June 2011	<u>143,998</u>	<u>7,550</u>

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%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

22. CONVERTIBLE NOTES

On 11 December 2009, the Company issued convertible notes with principal amounts of HK\$488,000,000 and HK\$188,040,000 to Simple Success Investment Limited (“Simple Success”) and Bright Good Limited (“Bright Good”), respectively (“Simple Success Convertible Notes” and “Bright Good Convertible Notes”, respectively and collectively referred to as “Convertible Notes”). Simple Success is a substantial shareholder of the Company and Bright Good is an independent third party of the Group.

The conversion price was originally HK\$1.20 per share, subject to anti-dilutive adjustment, and the initial number of ordinary shares issuable upon conversion of the Simple Success Convertible Notes and Bright Good Convertible Notes were 406,666,667 and 156,700,000 shares respectively, which represented 37.47% and 14.44% of the total number of ordinary shares of the Company issued and outstanding as of the issuance date of Convertible Notes on a fully diluted basis. Pursuant to the terms of Convertible Notes, holders of the Convertible Notes undertook to the Company that the conversion rights would only be exercised to the extent that the converted shares held by the holders will not trigger a change in control as defined in the Hong Kong Code on Takeovers and Mergers.

The Convertible Notes bear zero interest and will mature on 10 December 2014, the date on which any outstanding principal amount of the Convertible Notes shall be redeemed at par if not converted before the maturity date. The Company is not entitled to redeem the Convertible Notes at any time before the maturity date. Pursuant to the terms of Convertible Notes, the Convertible Notes may be assigned or transferred, in whole multiples of HK\$1,000,000 of its outstanding principal amount, to any non-connected person of the Company as defined in the Listing Rules.

The holders of the Convertible Notes shall have the right at any time after the issue date of the Convertible Notes to convert the whole or part of the outstanding principal amount of the Convertible Notes into ordinary shares of the Company in full board lot of shares or multiples thereof provided that such amounts shall exceed HK\$1,000,000 on each conversion, unless the outstanding principal amount is less than HK\$1,000,000 and in such event, the entire outstanding principal amount shall be converted.

During the year ended 31 December 2010, the outstanding Bright Good Convertible Notes was transferred to Winner Performance Limited (“Winner Performance”), an independent third party.

During the six months ended 30 June 2011, the outstanding Simple Success Convertible Notes was transferred to Beijing Capital (Hong Kong) Limited (“Beijing Capital”), a substantial shareholder of the Company which has significant influence over the Company.

The Convertible Notes contain two components, liability and equity elements. The equity element is presented in equity heading “convertible notes equity reserve”. The effective interest rate of the liability component is 13.699% per annum.

During the six months ended 30 June 2011, Convertible Notes with principal amounts of HK\$224,600,000 were converted into 198,760,000 ordinary shares of the Company at the conversion price of HK\$1.13 per shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

22. CONVERTIBLE NOTES (continued)

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

	<i>HK\$'000</i>
Liability component	
At 31 December 2010	251,730
Effective interest charged to profit or loss (Note 5)	15,688
Transfer to equity upon conversion	<u>(143,430)</u>
At 30 June 2011	<u><u>123,988</u></u>
Equity component	
At 31 December 2010	389,426
Transfer to equity on conversion	(227,007)
Deferred tax transferred upon conversion of convertible notes	<u>13,393</u>
At 30 June 2011	<u><u>175,812</u></u>

At 30 June 2011, Convertible Notes with principal amounts of HK\$177,000,000 and HK\$16,000,000 remained outstanding with Beijing Capital and Winner Performance, respectively (31 December 2010: HK\$401,600,000 and HK\$16,000,000 remained outstanding with Simple Success and Winner Performance, respectively).

23. PROMISSORY NOTES

As at 30 June 2011, the Group has the following promissory notes outstanding:

- (a) a promissory note was issued by the Company in prior years with a principal amount of HK\$80,500,000 to Bright Good ("Bright Good Promissory Note"). The Bright Good Promissory Note bears no interest and has a maturity date of 10 December 2012. The redemption is at par at maturity date. During the six months ended 30 June 2011, the outstanding Bright Good Promissory Note I was transferred to Best View Enterprises Limited ("Best View"). Best View is beneficially owned by a substantial shareholder of the Company ("Best View Promissory Note").
- (b) a promissory note was issued by the Company in prior years with a principal amount of HK\$55,000,000 to Bright King ("Bright King Promissory Note I"). Bright King is beneficially owned by Mr. Ngok Yan Yu, who at the time of the transaction was a director and a substantial shareholder of the Company with significant influence. The Bright King Promissory Note I bears no interest and has a maturity date of 10 December 2014. The redemption is at par at maturity date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

23. PROMISSORY NOTES (continued)

- (c) During the six months ended 30 June 2011, a performance based promissory note was issued by the Group with a principal amount of approximately HK\$461,000 to Bright King ("Bright King Promissory Note II") for settlement of the deferred contingent consideration in relation to the acquisition of Smartview in 2009, based on the net profit after taxation, non-controlling interest and extraordinary items of Smartview and its subsidiaries for the year ended 31 December 2010. The Bright King Promissory Note II bears no interest and has a maturity date of 19 June 2016. The redemption is at par at maturity date.

The movement of the promissory notes for the period is set out below:

	<i>HK\$'000</i>
At 31 December 2010	96,757
Effective interest charged to profit or loss (Note 5)	6,122
Issue of promissory note	461
	<hr/>
At 30 June 2011	<u>103,340</u>

The effective interest rate and the carrying amounts of the promissory notes are as follows:

	Maturity date	Effective interest rate per annum	30 June 2011 <i>HK\$'000</i> (unaudited)	31 December 2010 <i>HK\$'000</i> (audited)
Best View Promissory Note	10 December 2012	12.895%	67,545	63,603
Bright King Promissory Note I	10 December 2014	13.699%	35,334	33,154
Bright King Promissory Note II	19 June 2016	N/A	461	—
			<hr/> 103,340 <hr/>	<hr/> 96,757 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

24. SHARE CAPITAL

	Number of ordinary shares		Amount	
	30 June 2011	30 June 2010	30 June 2011 HK\$'000	30 June 2010 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning of period and at end of period	2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:				
At beginning of period	1,010,535,039	658,304,000	101,053	65,830
Issue of shares under placements	202,022,000	85,741,000	20,202	8,574
Exercise of share options	—	50,000	—	5
Conversion of convertible notes	198,760,000	105,366,000	19,876	10,537
At end of period	1,411,317,039	849,461,000	141,131	84,946

During the current period, 202,022,000 ordinary shares of the Company were issued under placing at an issue price of HK\$0.4 per share.

During the current period, 198,760,000 ordinary shares of the Company were issued upon conversion of Convertible Notes at the conversion price of HK\$1.13 per share.

25. ACQUISITION OF A SUBSIDIARY

On 8 April 2010, the Group acquired additional 50% issued share capital of M.T.T. Limited ("MTT"), previously a jointly controlled entity of the Group, for a cash consideration of HK\$390,000. After further acquisition, MTT has become a wholly owned subsidiary of the Group. Before the further acquisition, the Group recognised its 50% equity interest in MTT as a jointly controlled entity using proportionate consolidation. This acquisition of additional 50% equity interest has been accounted for using the acquisition method. The amount of gain from bargain purchase was approximately HK\$2,020,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

25. ACQUISITION OF A SUBSIDIARY (continued)

The net assets acquired in the transaction, and the gain from a bargain purchase arising from acquisition of MTT, are as follows:

	Amounts recognised at the date of acquisition
	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	6,548
Inventories	10,269
Trade receivables	14,779
Deposits, prepayments and other receivables	410
Net amount due from group companies	10,370
Bank balances and cash	12,636
Trade payables	(12,892)
Other payables and accruals	(3,295)
Bank borrowings	(33,088)
Tax payable	(214)
Deferred tax liabilities	(702)
	<hr/>
	4,821
Gain from a bargain purchase	(2,020)
	<hr/>
	2,801
Satisfied by:	
Cash	390
Fair value of previously held equity interest in acquiree	2,411
	<hr/>
	2,801
Net cash inflow arising on acquisition:	
Cash consideration paid	(390)
Bank balances and cash acquired	6,318
	<hr/>
	5,928
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

25. ACQUISITION OF A SUBSIDIARY (continued)

MTT contributed a profit of HK\$6,508,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2010, total group revenue for the period would have been HK\$393,735,000, and loss for the period would have been HK\$295,837,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

26. DISPOSAL OF SUBSIDIARIES

On 2 June 2010, the Group entered into a sale and purchase agreement to dispose of the Company's non-wholly-owned subsidiary, Pro-Brilliance International Development Limited ("Pro-Brilliance"), which is principally engaged in the license management business of apparel and accessories, to an independent third party, for a cash consideration of HK\$100. The transaction was completed on 2 June 2010.

On 23 April 2010, the Group entered into a sale and purchase agreement to dispose of the Group's wholly-owned subsidiary, Shanghai Jinshan Biomax Green Energy Company Limited ("SH Jinshan"), which is principally engaged in the waste treatment and waste-to-energy business, to an independent third party, for a cash consideration of approximately HK\$52,155,000 (equivalent to approximately RMB45,427,000). The transaction was completed on 1 June 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

26. DISPOSAL OF SUBSIDIARIES (continued)

The Group's share of net assets of Pro-Brilliance and SH Jinshan at the date of disposal and the effect of disposal are as follows:

	Pro-Brilliance <i>HK\$'000</i>	SH Jinshan <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net assets disposed of:			
Property, plant and equipment	—	558	558
Other receivables	—	1,229	1,229
Tax recoverable	21	—	21
Bank balances and cash	4	184	188
Accruals	(10)	(261)	(271)
Amount due to a related company	—	(689)	(689)
Net amount due from group companies	175	—	175
	190	1,021	1,211
Goodwill	—	11,853	11,853
Release of translation reserve	—	562	562
Non-controlling interest	(98)	—	(98)
(Loss) gain on disposal of subsidiaries	(92)	38,719	38,627
Total consideration	<u>—</u>	<u>52,155</u>	<u>52,155</u>
Satisfied by:			
Receipt in advance (Note)	—	22,962	22,962
Deferred consideration	—	29,193	29,193
	<u>—</u>	<u>52,155</u>	<u>52,155</u>
Net cash outflow arising on disposal:			
Bank balances and cash disposed of	<u>(4)</u>	<u>(184)</u>	<u>(188)</u>

Note: Part of the consideration amounting to approximately HK\$22,962,000 in relation to the disposal of SH Jinshan was received by the Group in prior year.

The deferred consideration was settled in cash before 31 December 2010.

The subsidiaries disposed of contributed no revenue to the Group and a loss of approximately HK\$1,760,000 to the Group during the six months ended 30 June 2010.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

27. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors of the Group and employees of the Group. No share options were granted, exercised or lapsed during the current interim period.

28. CAPITAL COMMITMENTS

	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
Capital expenditure contracted for but not provided in respect of — construction work under service concession arrangement	457,538	451,033

Commitment to acquire additional interest in SH Biomax GEP

During the year ended 31 December 2010, the Group entered into a framework agreement (the “Framework Agreement”) with 上海振環實業總公司 (“SH Zhenhuan”), an independent third party which holds 37% equity interest in SH Biomax GEP. SH Biomax GEP is an available-for-sale investment of the Group. Pursuant to the Framework Agreement, the Group will inject registered capital of up to RMB78.9 million (equivalent to approximately HK\$89.95 million) to SH Biomax GEP to increase the Group’s equity interest in SH Biomax GEP up to approximately 63%, subject to the approval by governmental authorities.

The transactions have not been completed or cancelled by the date of the condensed consolidated financial statements for the six months ended 30 June 2011 are authorised for issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

29. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant transactions with related parties in addition to those transactions described in other notes to the condensed consolidated financial statements:

Name of related party	Nature of transactions	Six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
ST (note 1)	Sales of apparel	12,854	37,305
	Sourcing income received	—	750
MTT (note 2)	Management fee income received	—	240
Mountain Experience Betiligungs (note 3)	Interest expense	—	430

Notes:

- Mr. Ngok Yan Yu, a director and substantial shareholder of the Company as at 31 December 2010, has controlling interest in ST. During the period, Mr. Ngok Yan Yu resigned his directorship 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 is transferred to trade receivables.
- The Group acquired additional 50% equity interest of this company in April 2010 and subsequently disposed of its entire interest in November 2010.
- This company is a joint venture of MTT before the further acquisition of the additional 50% equity interest by the Group on 8 April 2010.

The remuneration of key management personnel, which represented by directors' remuneration, during the period was as follows:

	Six months ended 30 June	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Short-term benefits	2,176	2,127
Post-employment benefits	20	12
Share-based payment	—	113
	2,196	2,252

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

30. EVENTS AFTER THE END OF INTERIM PERIOD

- (a) As described in Note 18, the Company disposed of the leasehold land and buildings, at a consideration of approximately HK\$27,296,000. The Group estimated the gain on disposal to be approximately HK\$10,967,000.
- (b) On 4 August 2011, the Company entered into the deed of redemption with a subsidiary and Bright King pursuant to which Bright King shall surrender the Bright King Promissory Note I and Bright King Promissory Note II to the Group for redemption and cancellation in consideration of the issue of new 69,326,000 shares to Bright King at HK\$0.8 per share for redemption.

In addition, the Company entered into the deed of redemption with a subsidiary and Best View, pursuant to which Best View shall surrender the Best View Promissory Note to the Group for redemption and cancellation in consideration of the issue of the convertible note with principal amount of HK\$80,500,000 to Best View. The conversion price is HK\$1.30 per share.

Completion of the redemption is subject to the fulfilment of the conditions precedent as set out in the both deeds of redemption and therefore the proposed redemption may or may not proceed. Details of these transactions are set out in the Company's announcement dated 4 August 2011.

Both deeds of redemption were not yet executed as at the date of approval for issuance of these condensed consolidated financial statements.

As at the date of approval for issuance of these condensed consolidated financial statements, the estimate of financial impact cannot be made.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 30 June 2011, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Shares of the Company

Name of director	Capacity	Number of shares held	Approximate percentage of shareholdings
Mr. Marcello Appella	Interest of a controlled corporation (Note 1)	3,588,030 (L)	0.25%

(L) denotes a long position

Notes:

1. These Shares were held by Sycomore Limited ("Sycomore"), which was owned as to 50% by Mr. Marcello Appella, an executive director of the Company, and 50% by Mrs. Maguy, Alice, Juliette, Marie Pujol ep. Appella, the spouse of Mr. Marcello Appella. As such, Mr. Marcello Appella was deemed or taken to be interested in the Shares held by Sycomore for the purposes of the SFO.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

Share options of the Company

The interests of the Directors in the share options of the Company as at 30 June 2011 and the movements of the outstanding share options during the six months are set out as follows:

	Number of share options					Exercisable period	Exercise price	Approximate Percentage of issued share capital of the Company
	Balance as at 1 January 2011	Exercised during the period	Lapsed during the period	Reclassified during the period	Balance as at 30 June 2011			
Mr. Ngok Yan Yu (resignation effective on 27 May 2011)	503,829 (Note 1)	—	—	—	503,829	18/08/2008– 17/08/2018	HK\$1.5581	
	<u>503,829</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>503,829</u>			<u>0.04%</u>
Mr. Marcello Appella	201,532 (Note 1)	—	—	—	201,532	18/08/2008– 17/08/2018	HK\$1.5581	
	<u>201,532</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>201,532</u>			<u>0.01%</u>
Employees In aggregate	304,595 (Note 1)	—	—	—	304,595	18/08/2008– 17/08/2018	HK\$1.5581	
	8,849 (Note 2)	—	—	—	8,849	11/11/2008– 10/11/2018	HK\$0.3592	
	14,050,000 (Note 3)	—	—	—	14,050,000	06/09/2010– 05/09/2015	HK\$0.501	
	<u>14,363,444</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,363,444</u>			<u>1.02%</u>

Notes:

- These share options were granted on 18 August 2008. 20% of the granted share options have vested on 18 August 2008 and be exercisable from 18 August 2008 to 17 August 2018. Another 30% of the granted share options have vested on 18 August 2009 and be exercisable from 18 August 2009 to 17 August 2018. The remaining 50% of the granted share options have vested on 18 August 2010 and be exercisable from 18 August 2010 to 17 August 2018.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

2. These options were granted on 11 November 2008. 30% of the granted share options have vested on 11 November 2008 and be exercisable from 11 November 2008 to 10 November 2018. Another 30% of the granted share options have vested on 11 November 2009 and be exercisable from 11 November 2009 to 10 November 2018. The remaining 40% of the granted share options have vested on 11 November 2010 and be exercisable from 11 November 2010 to 10 November 2018.
3. These share options were granted on 6 September 2010 and have vested on 6 September 2010 and be exercisable from 6 September 2010 to 6 September 2015.

None of the above share options were cancelled during the period.

Save as disclosed above, as at 30 June 2011, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

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

As at 30 June 2011, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares or underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholdings
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 1)	430,659,168(L)	30.51%
Beijing Capital Company Limited	Interest of a controlled corporation (Note 1)	430,659,168(L)	30.51%
Simple Success Investments Limited	Beneficial owner (Note 2)	270,760,000(L)	19.18%
New World Strategic Investment Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	19.18%
New World Development Company Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	19.18%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	19.18%
Centennial Success Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	19.18%

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

Name of shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholdings
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation (Note 2)	270,760,000(L)	19.18%
Best View Enterprises Limited	Beneficial owner and person having security interest (Note 3)	80,744,205(L)	5.72%
Chow Tai Fook Nominee Limited	Interest of a controlled corporation (Note 3)	80,744,205(L)	5.72%
Mr. Cheng Yu Tung	Interest of a controlled corporation (Note 3)	80,744,205(L)	5.72%
Charm Hero Investments Limited	Beneficial owner (Note 4)	76,344,205(L)	5.41%
Mensun Limited	Interest of a controlled corporation (Note 4)	76,344,205(L)	5.41%
Waste Resources Fund L.P.	Beneficial owner (Note 5)	74,341,000(L)	5.27%
Zesiger Capital Group LLC	Investment Manager (Note 6)	152,032,000(L)	10.77%

(L) denotes a long position

Notes:

- These Shares represent 274,022,000 Shares held by Beijing Capital (Hong Kong) Limited and 156,637,168 Shares which may be issuable upon conversion of all the outstanding amount of the convertible notes held by Beijing Capital (Hong Kong) Limited, which was a wholly-owned subsidiary of Beijing Capital Company Limited. As such, Beijing Capital Company Limited was deemed or taken to be interested in the said Shares and underlying Shares held by Beijing Capital (Hong Kong) Limited for the purpose of the SFO.
- These Shares were held by Simple Success Investments Limited, which was a wholly-owned subsidiary of New World Strategic Investment Limited, which was in turn wholly-owned by New World Development Company Limited. Cheng Yu Tung Family (Holdings) Limited has 51% interest in Centennial Success Limited which has 100% interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited. As such, Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, New World Strategic Investment Limited were deemed to have interest in the said Shares held by Simple Success Investments Limited for the purposes of the SFO.
- These Shares represent 4,400,000 Shares held by Best View Enterprises Limited and 76,344,205 Shares in which Best View Enterprises Limited has security interest. Best View Enterprises Limited is wholly owned by Chow Tai Fook Nominee Limited, which is in turn controlled by Mr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Mr. Cheng Yu Tung were deemed to have interest in the said Shares and underlying Shares that Best View Enterprises Limited had interest in for the purpose of the SFO.
- These Shares were held by Charm Hero Investments Limited, which was wholly owned by Mensun Limited. As such, Mensun Limited was deemed or taken to be interested in the Shares held by Charm Hero Investments Limited for the purpose of the SFO.
- The Shares represent 9,341,000 Shares and 65,000,000 Shares which may be issuable upon conversion of all the outstanding convertible bonds held by Waste Resources Fund L.P..
- These Shares were held in the capacity as an investment manager based on the disclosure of interest notice filed by Zesiger Capital Group LLC.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

Save as aforesaid and as disclosed in the “Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” section above, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 30 June 2011 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

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”.



NEW ENVIRONMENTAL ENERGY
HOLDINGS LIMITED
新環保能源控股有限公司