NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED
新 環 保 能 源 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

RESULTS

The Board of Directors (the "Board") of New Environmental Energy Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	NOTES	**2012** ***HK$'000***	2011 *HK$'000* (restated)
Continuing operations			
Revenue	4	**17,609**	20,147
Cost of sales		**(18,081)**	(55,414)
Gross loss		**(472)**	(35,267)
Other income, gains and losses	5	**(27,568)**	(68,842)
(Loss) gain on fair value change of embedded derivatives		**(16,484)**	3,241
Administrative expenses		**(68,057)**	(38,034)
Share of results of an associate		**7,874**	11,358
Finance costs	6	**(50,839)**	(60,213)
Loss before tax	7	**(155,546)**	(187,757)
Income tax credit	8	**2,869**	3,914
Loss for the year from continuing operations		**(152,677)**	(183,843)

	NOTES	2012 HK$'000	2011 HK$'000 (restated)
Discontinued operations			
Profit (loss) for the year from discontinued operations	9	**4,852**	(163,290)
Loss for the year		**(147,825)**	(347,133)
Other comprehensive (expense) income			
Exchange differences arising on translation:			
Exchange difference during the year		**192**	5,828
Exchange difference arising from an associate on translation		**779**	3,971
Reclassification adjustment upon disposal of subsidiaries		**(3,607)**	—
Other comprehensive (expense) income for the year (net of tax)		**(2,636)**	9,799
Total comprehensive expense for the year		**(150,461)**	(337,334)
(Loss) profit for the year attributable to owners of the Company:			
— from continuing operations		**(151,906)**	(162,214)
— from discontinued operations		**4,852**	(163,290)
Loss for the year attributable to owners of the Company		**(147,054)**	(325,504)
Loss for the year attributable to non-controlling interests			
— from continuing operations		**(771)**	(21,629)
— from discontinued operations		**—**	—
Loss for the year attributable to non-controlling interests		**(771)**	(21,629)
		(147,825)	(347,133)
Total comprehensive expense attributable to:			
Owners of the Company		**(150,310)**	(315,294)
Non-controlling interests		**(151)**	(22,040)
		(150,461)	(337,334)
Loss per share	11		
From continuing and discontinued operations			
Basic		**HK(8.99) cents**	HK(25.92) cents
Diluted		**HK(8.99) cents**	HK(25.92) cents
From continuing operations			
Basic		**HK(9.28) cents**	HK(12.92) cents
Diluted		**HK(9.28) cents**	HK(12.92) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**15,965**	13,522
Intangible assets		**2,318**	3,786
Prepaid lease payments		**2,277**	2,314
Amounts due from grantors for contract work	12	**383,339**	193,581
Amount due from an investee		**45,267**	59,500
Amount due from an associate		**6,219**	—
Interest in an associate		**101,831**	93,178
Deposits paid for construction of infrastructure in service concession arrangements	13	**174,981**	179,299
		732,197	545,180
Current assets			
Trade receivables	14	**7,411**	31,986
Deposits, prepayments and other receivables		**32,267**	48,064
Amounts due from grantors for contract work	12	**9,453**	—
Prepaid lease payments		**52**	52
Amount due from an associate		**12,708**	980
Bank balances and cash		**263,239**	54,859
		325,130	135,941
Current liabilities			
Trade payables	15	**23,863**	31,958
Other payables and accruals		**42,326**	27,610
Provisions		**192,969**	179,298
Amount due to a shareholder		—	2,366
Taxation payable		**15,638**	18,069
Obligations under finance leases — due within one year		—	17
Borrowings		**26,592**	52,250
		301,388	311,568
Net current assets (liabilities)		**23,742**	(175,627)
Total assets less current liabilities		**755,939**	369,553

	2012	2011
	HK$'000	*HK$'000*
Non-current liabilities		
Obligations under finance leases		
— due after one year	—	44
Convertible notes	**150,400**	132,279
Convertible bonds	**252,200**	155,083
Embedded derivatives	**54,152**	8,460
Borrowings	**239,899**	—
Deferred tax liabilities	**8,071**	10,957
	704,722	306,823
	51,217	62,730
Capital and reserves		
Share capital	**186,226**	155,188
Reserves	**(125,478)**	(73,750)
Equity attributable to owners of the Company	**60,748**	81,438
Non-controlling interests	**(9,531)**	(18,708)
	51,217	62,730

Notes:

1. GENERAL

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

The principal activity of the Company and its subsidiaries is waste treatment and waste-to-energy business. The Group was also engaged in the trading of apparel and accessories which was discontinued in 2012 (see Note 9).

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

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

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

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets, and
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 required all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may not have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the financial instruments as of 31 December 2012.

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

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

Key requirements of these five standards are described below.

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

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

Based on the existing group structure, the application of these five standards is not expected to have a significant impact on the amounts reported in the consolidated financial statement.

HKFRS 13 Fair Value Measurement

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

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

The directors anticipate that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

3. SEGMENT INFORMATION

After the disposal of trading of apparel and accessories business during the current year as disclosed in Note 9, the Group has been operating with one reportable and operating segment only, being the waste treatment and waste-to-energy business.

Trading of apparel and accessories business was presented as reportable and operating segment in the prior period. The trading of apparel and accessories business is considered as discontinued operations in the current year and therefore, not included in the segment information. The prior period figures have been re-presented. Since there is only one reportable and operating segment, no segment information except for entity-wide disclosure is provided.

The revenue of services is set out in Note 4.

Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(restated)		
Continuing operations				
The PRC (country of domicile)	**17,609**	20,147	**296,846**	291,397
Hong Kong	**—**	—	**526**	702
	17,609	20,147	**297,372**	292,099

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

Information about major customers

During the year ended 31 December 2012, revenue from government authorities contributing over 99% (2011: 99%) of the total revenue of the Group in continuing operations amounted to approximately HK$17,435,000 (2011: HK$19,857,000) is attributable to the reportable segment of waste treatment and waste-to-energy business.

4. REVENUE

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Provision of construction services under service concession arrangements	**16,004**	19,857
Provision of operation services under service concession arrangements	**1,431**	—
Consultancy fee income	**174**	290
	17,609	20,147

5. OTHER INCOME, GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Bank interest income	**502**	230
Interest income on amount due from an associate	**1,376**	—
Effective interest income on amount due from an investee	—	4,726
Effective interest income on amounts due from grantors for contract work	**12,177**	11,478
Total interest income	**14,055**	16,434
Gain on disposal of property, plant and equipment	**5**	6,718
Impairment loss recognised in respect of deposits, prepayments and other receivables	**(10,837)**	(23,314)
Impairment loss recognised in respect of deposits paid for construction of infrastructure in service concession arrangements	**(6,158)**	—
Impairment loss recognised in respect of available-for-sales investment	—	(56,844)
Impairment loss recognised in respect of amount due from an investee	**(14,595)**	—
Provision for penalty charges in relation to construction of waste-to-energy plant	**(11,207)**	(27,410)
Gain on redemption of promissory notes by issue of ordinary shares of the Company	—	15,564
Sundry income	**1,169**	10
	(27,568)	(68,842)

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Interest on:		
Borrowings and overdrafts wholly repayable within five years	**6,393**	3,391
Convertible bonds	**26,325**	21,216
Convertible notes	**18,121**	24,712
Promissory notes	—	10,894
	50,839	60,213

7. LOSS BEFORE TAX

	2012 *HK$'000*	2011 *HK$'000* (restated)
Loss before tax has been arrived at after charging (crediting):		
Continuing operations		
Directors' and chief executives' emoluments	**5,986**	5,593
Staff costs (excluding directors)		
— other staff costs	**18,011**	12,996
— retirement benefit scheme contribution	**3,038**	2,573
	21,049	15,569
Auditor's remuneration	**3,785**	3,604
Contract cost recognised for waste treatment business (included in cost of sales)	**16,004**	19,857
Depreciation of property, plant and equipment	**2,124**	2,216
Amortisation of prepaid lease payments	**52**	52
Amortisation of intangible assets (included in administration expenses)	**1,468**	1,468
Net exchange (gain) loss	**(1,547)**	1,146
Provision for expected losses in relation to service concession arrangements (included in cost of sales)	**—**	35,287

8. INCOME TAX CREDIT

	2012 *HK$'000*	2011 *HK$'000* (restated)
Continuing operations		
Current income tax:		
Other jurisdictions	**—**	42
Deferred tax	**(2,869)**	(3,956)
	(2,869)	(3,914)

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

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

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

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Loss before tax (from continuing operations)	**(155,546)**	(187,757)
Tax at the domestic income tax rate of 25%	**(38,887)**	(46,939)
Tax effect of expenses not deductible for tax purpose	**21,752**	30,024
Tax effect of income not taxable for tax purpose	**(3,421)**	(11,329)
Tax effect of share of results of an associate	**(1,969)**	(2,840)
Tax effect of tax losses not recognised	**11,758**	21,277
Tax effect of other deductible temporary differences not recognised	**7,898**	5,829
Others	—	64
Income tax credit for the year (from continuing operations)	**(2,869)**	(3,914)

9. DISCONTINUED OPERATIONS

The Group disposed of its wholly-owned subsidiary, Hembly Garment Manufacturing Limited ("Hembly Garment"), and its subsidiary, 恆華(南京)服飾有限公司, for a cash consideration of approximately HK$12,000,000, to an independent third party on 22 February 2012. Details of the disposal agreement are set out in the Company's announcement dated on 2 December 2011. The trading of apparel and accessories operation is treated as discontinued operations. Comparative information in the consolidated statement of comprehensive income has been re-presented.

The profit (loss) from the discontinued operations from 1 January 2012 to 22 February 2012 and for the year ended 31 December 2011 were as follows:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Profit (loss) for the period/year from discontinued operations	**285**	(163,290)
Gain on disposal of discontinued operations	**4,567**	—
	4,852	(163,290)

The results of the Group's trading of apparel and accessories operation from 1 January 2012 to 22 February 2012 and for the year ended 31 December 2011 were as follows:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Revenue	**—**	28,854
Cost of sales	**—**	(56,832)
Gross loss	**—**	(27,978)
Other income, gains and losses	**968**	(120,658)
Distribution and selling expenses	**—**	(19)
Administrative expenses	**(683)**	(14,622)
Finance costs	**—**	(13)
Profit (loss) for the period/year from discontinued operations	**285**	(163,290)

Profit (loss) for the period/year from discontinued operations include the following:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Interest on obligations under finance leases	**—**	13
Staff costs		
— other staff costs	**335**	5,325
— retirement benefit scheme contribution excluding directors	**11**	138
	346	5,463
Auditor's remuneration	**—**	960
Cost of inventories recognised as an expense	**—**	56,832
Depreciation of property, plant and equipment	**128**	1,546
Allowance for inventories	**—**	13,897
(Reversal of impairment loss) impairment loss recognised on trade receivables	**(853)**	94,046
Impairment loss recognised on other receivables	**—**	26,115
Loss on disposal of property, plant and equipment	**—**	498
Net exchange gain	**—**	(9,772)

Cash flows from discontinued operations

	2012	2011
	HK$'000	*HK$'000*
Net cash outflows from operating activities	**(2)**	(2,808)
Net cash outflow from investing activities	**—**	(139)
Net cash outflows from financing activities	**(16)**	(529)
Effect of foreign exchange rate changes	**—**	3,391
Net cash outflows	**(18)**	(85)

10. DIVIDENDS

No dividend was paid, or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

11. LOSS PER SHARE

For continuing and discontinued operations

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

Loss

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(147,054)**	(325,504)

Number of shares

	2012	2011
	'000	*'000*
	(Note)	*(Note)*
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,636,580**	1,255,740

Note:

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

From continuing operations

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

Earnings figures are calculated as follows:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to owners of the Company	**(147,054)**	(325,504)
Add: (Profit) loss for the year from discontinued operations	**(4,852)**	163,290
Loss for the purposes of basic and diluted loss per share from continuing operations	**(151,906)**	(162,214)

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

From discontinued operations

Basic and diluted earning per share from discontinued operation is HK0.29 cents per share (2011: Basic and diluted loss per share from discontinued operation was HK13.00 cents per share) for the year ended 31 December 2012, based on the profit for the year from the discontinued operation of approximately HK$4,852,000 (2011: loss for the year from discontinued operation of HK$163,290,000) and the denominators detailed above for both basic and diluted loss per share.

12. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

	2012	2011
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current asset	**9,453**	—
Non-current asset	**383,339**	193,581
	392,792	193,581

Amounts due from grantors for contract work represent (a) costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plant in the PRC on a build-operate-transfer ("BOT") basis, plus attributable profits on the services provided; (b) arising from acquisition of subsidiaries during the year. Revenues and costs relating to the construction phase of the contract are accounted for in accordance with HKAS 11. Revenue and costs relating to the operating phase of the contract are accounted for in accordance with HKAS 18.

Several subsidiaries of the Company entered into service concession arrangements with certain government authorities in the PRC ("Grantors") in respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, and to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rates ranged from 3.6% to 4.3% during the year ended 31 December 2012 and 2011.

As at 31 December 2012, the Group had four (2011: two) service concession arrangements in the PRC and the major terms of each service concession arrangement are set out as follows:

Name of subsidiary as operator	**Name of waste treatment and waste-to-energy plant**	**Location**	**Name of grantor**	**Service concession period**	**Practical processing per day**		**Status**	**2012**	**2011**
					Waste treatment	**Electricity generation**		***HK$'000***	*HK$'000*
北京市一清百瑪士綠色能源有限公司	北京市董村分類綜合處理廠	Dongcun, Beijing	北京市市政管理委員會	December 2008 to December 2034 (27 years)	650 tonnes	36 million kWh	Under Construction with delay	**166,754**	148,145
南昌百瑪士綠色能源有限公司	南昌市垃圾焚燒發電廠	Quanling, Nanchang	南昌市市環境管理局	27 years after obtaining the approval for commercial operation *(Note 2)*	1,200 tonnes	131 million kWh	Under Construction	**55,692**	45,436
都勻市科林環保有限公司 *(Note 1)*	都勻市生活垃圾填理場	Duyun, Guizhou	都勻市人民政府	June 2012 to June 2042 (30 years)	300 tonnes	n/a	Operating	**130,366**	—
甕安縣科林環保有限公司 *(Note 1)*	甕安縣生活垃圾填理場	Weng'an, Guizhou	甕安縣人民政府	30 years after obtaining the approval for commercial operation *(Note 2)*	150 tonnes	n/a	Trial run before commercial operation	**39,980**	—

Note 1: The subsidiaries were acquired during the year ended 31 December 2012.

Note 2: The subsidiaries have not yet obtained approval for commercial operation at 31 December 2012.

During the operation phase of the respective service concession periods, the Group will receive guaranteed receipts of waste treatment fee from the grantors calculated by multiplying the minimum level of municipal waste to be processed per day at a pre-determined waste treatment fee per tonne as specified in all service concession agreements. In addition, for two services concession arrangements (as mentioned above), the Group has the right to charge on-grid electricity tariff from users after commencement of operation phase of the waste-to-energy plants. The directors of the Company considers that the possibility of exceeding the threshold (minimum level of municipal waste to be processed per day) of these projects is remote at this stage and hence no intangible assets are recognised.

The Group recognised revenue from construction services of approximately HK$16,004,000 (2011: HK$19,857,000) by reference to the stage of completion of the construction work and revenue from operation services of approximately HK$1,431,000 (2011: Nil).

Provision for penalty charges to profit or loss of approximately HK$11,207,000 (2011: HK$27,410,000) was recognised for the year ended 31 December 2012. Provision for penalty charge is based on penalty clause stated in the service concession agreement of 北京市董村分類綜合處理廠 at RMB350,000 per week starting from the original commencement date of operation in January 2009.

Provision for future loss in construction services is based on the difference between revenue and budgeted cost to be generated and incurred respectively from the commencement date of construction to the completion of construction of 北京市董村分類綜合處理廠. No provision for the expected loss of the construction services was recognised for the year ended 31 December 2012 (2011: HK$35,287,000).

During the year ended 31 December 2012, the Group is still under negotiation with the local government to extend the service concession period and increase the waste treatment fee of 北京市董村分類綜合處理廠. As at 31 December 2012, the local government preliminary agreed to revisit the service concession period and the waste treatment price. However, the outcome of the negotiation with the local government for the revised terms is uncertain as at 31 December 2012.

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 31 December 2012, provision of HK$995,000 (2011: Nil) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

13. DEPOSITS PAID FOR CONSTRUCTION OF INFRASTRUCTURE IN SERVICE CONCESSION ARRANGEMENTS

The amount represents advance payments to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. Included in the deposits paid balance is advance payment to a third party supplier, 城市建設研究院 (“城建院”), with aggregate carrying amount of approximately HK$155,037,000 (31 December 2011: HK$160,062,000) which is subject to arbitration proceedings as at the end of the reporting period. The Group has submitted a dispute with 城建院 to an arbitration committee, 南昌仲裁委員會, during the year ended 31 December 2012. Subsequent to the end of the reporting period, the arbitration committee issued the first order which determined that the contract entered into between the Group and 城建院 was invalid. In accordance with the legal opinion provided by a firm of independent lawyers not connected to the Group, the amount should be refunded to the Group taking into account the outcome of the first order. However, the refundable amount is yet to be finalised by the arbitration. The estimated recoverable amount of the deposits of HK$155,037,000, net of allowable expenses incurred by 城建院 of approximately HK$6,158,000 (2011: Nil), is expected to be recovered by the director of the Company, taking into account the legal opinion provided by the independent lawyer.

14. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**8,452**	132,901
Less: allowance for doubtful debts	**(1,041)**	(100,915)
	7,411	31,986

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

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of reporting period is as follows.

	2012	2011
	HK$'000	*HK$'000*
0–90 days	—	24,630
Over 360 days	**7,411**	7,356
	7,411	31,986

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

Included in the Group's trade receivable balance is a debtor, 北京市大興區政府採購中心, with aggregate carrying amount of approximately HK$7,411,000 (2011: HK$7,356,000) which is past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amount is still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired

	2012	2011
	HK$'000	*HK$'000*
Overdue by:		
Over 360 days	**7,411**	7,356

Movement in the allowance for doubtful debts

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**100,915**	5,358
Exchange realignment	**8**	1,511
Impairment losses recognised	—	97,305
Impairment losses reversed	**(853)**	(3,259)
Eliminated on disposal of a subsidiary	**(99,029)**	—
Balance at end of the year	**1,041**	100,915

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$1,041,000 (2011: HK$100,915,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances. During the year ended 31 December 2011, net impairment losses on trade receivables of HK$94,046,000 is recognised in profit or loss due to adverse change in business environment of the customers, including impairment losses of HK$58,659,000 in respect of trade receivable due from one of the two largest customers of the Group, Sergio Tacchini International S.P.A ("ST"), which is controlled by Mr. Ngok Yan Yu, a substantial shareholder of the Company as at 31 December 2011. The carrying amount of trade receivable of ST was fully impaired during the year ended 31 December 2011. The remaining impairment losses are related to other customers included in the segment of trading of apparel and accessories which was discontinued in 2012.

15. TRADE PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
0–90 days	**295**	9,601
91–180 days	**41**	—
181–360 days	**616**	150
Over 360 days	**22,911**	22,207
	23,863	31,958

The average credit period on purchases of goods ranges from 30 to 90 days unless for those over 360 days which are based on agreed contract terms. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

BUSINESS REVIEW AND PROSPECTS

According to the "National Plan for Establishing Facilities for Treatment Of Urban Household Waste in a Non-Hazardous Way under the 12th Five-Year Plan" issued in May 2012, the daily waste processing capacity of waste-to-energy shall be substantially increased from 89,625 tonnes at the end of 2010 to approximately 307,155 tonnes by the end of 2015 at an annual compound growth rate of 28%.

In 2012, the State ranked energy conservation and environmental protection first among the seven "Strategic Emerging Industries" under its "Twelfth Five-Year Plan". The National Development and Reform Commission has also refined the waste-to-energy tariff policy and provided concrete support to the environmental protection industry through special subsidies. In expectation of the great market potential underscored by favourable national policies, the Group will endeavour to seize opportunities in the environmental protection and alternative energy industries to deliver stronger results for its shareholders.

During the year under review, the Group achieved growth in scale and effectiveness together. The Group succeeded in securing a waste-to-energy project in Xingtai, Hebei Province, China, that are designed with an annual waste treatment capacity of approximately 340,000 tonnes. The facility commanded a total investment of approximately RMB330 million. Besides, the Group acquired two landfill projects in Guizhou, that are designed with an annual waste treatment capacity of approximately 335,000 tonnes. These have not only expanded the Group's market presence across the country, but also laid a solid foundation for its next round of development. It is expected that the new project will contribute more revenue to the Group following kicking-off of construction and commencement of commercial operation of projects.

During the year under review, the Group has successfully disposed of its apparel and accessories trading business, its only non-core business. This records a net gain on disposal of approximately HK$4.6 million and also completely transforms the Group towards comprehensive waste treatment enterprise.

In order to ensure sustainable development of the Group in the face of volatility in the international capital markets, the Group entered into a loan agreement with Beijing Capital Co., Ltd. ("Beijing Capital") for a RMB101.0 million loan, from which RMB97.0 million has been drawn down. In addition, the Company raised about HK$129.6 million (net of expenses) in August and October 2012 through the placement of 310 million shares of the Company and about HK$100.0 million through issuance of convertible bonds to Beijing Capital (Hong Kong) Limited ("Beijing Capital HK"), which provided adequate working capital and broadened our shareholder base and equity base. As at 31 December 2012, the Group had cash on hand of HK$263.2 million, and maintained a healthy financial position.

As at 31 December 2012, the Group had eight waste treatment projects that commanded a total investment of approximately RMB2,268.0 million. The facilities were designed with the annual capacity to process waste of approximately 2,008,050 tonnes which can generate on-grid electricity of approximately 377 million kWh annually.

Looking ahead, with stronger supporting policies from the State and the continued comprehensive support from our parent company, Beijing Capital HK, we are confident that we can realise the full potential of all the exciting opportunities for future development. The Group will act as a responsible enterprise in advancing its business through unremitting efforts and opportunities grasp.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The net loss attributable to the owners of the Company amounted to approximately HK$147.1 million for the year under review.

Waste treatment and Waste-to-Energy Business

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached approximately HK$17.6 million, representing decrease of approximately 12.4%, as compared to last year.

For the year under review, its gross loss is approximately 2.7%.

Operating expenses

The Group's administrative expenses of the continuing operations increased by 79.2% from HK$38.0 million to HK$68.1 million during the year under review, the increase is mainly attributable to the enlargement of operation scale.

Finance Costs

Finance costs, for the Group's continuing operations, decreased by 15.6% to HK$50.8 million, as compared to last year. The decrease is mainly attributable to the decrease in the interests on promissory notes and convertible notes.

Financial Position

As at 31 December 2012, the Group had total assets amounting to HK$1,057.3 million, with HK$60.7 million of net assets attributable to equity shareholders of the Company. The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, was 0.05 as at 31 December 2012. Net gearing ratio has not been calculated as at 31 December 2011 as cash and cash equivalent exceeded borrowings as at 31 December 2011. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from 0.44 as at 31 December 2011 to 1.08 as at 31 December 2012.

Financial Resources

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders. As at 31 December 2012, the Group had cash and bank balances of HK$263.2 million, representing an increase of HK$208.3 million as compared to HK$54.9 million at the end of 2011. The increase was mainly due to the placement of shares of the Company, the new borrowings raised and the disposal of the Group's equity interest in Hembly Garment during the year under review. Currently, most of the Group's cash is denominated in HK dollars and RMB.

Borrowings

As at 31 December 2012, the Group had outstanding borrowings of HK$266.5 million, representing an increase of HK$214.2 million as compared to HK$52.3 million at the end of 2011. The borrowings comprised secured loans of HK$193.1 million and unsecured loans of HK$73.4 million. The borrowings are denominated in HK dollars and RMB. 64.9% and 35.1% of the borrowings are at fixed rate and variable rate.

Foreign exchange exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. During the year, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

Charges on Assets

As at 31 December 2012, the Group has no asset pledged.

Capital Commitment

As at 31 December 2012, the Group had capital commitment of HK$518.4 million in respect of the construction work under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

As at 31 December 2012, the Group provide guarantees of HK$18.1 million to a bank in respect of banking facilities granted to an associate.

Employment Information

As at 31 December 2012, the Group had about 135 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employee and are based on salary trends prevailing in the aforesaid regions.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their individual contributions to the Group.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

CORPORATE GOVERNANCE

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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2012.

Full details on the subject of Corporate Governance are set out in the Company's 2012 annual report.

DIRECTOR'S SECURITIES TRANSACTIONS

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012, including the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.neeh.com.hk. The annual report for the year ended 31 December 2012 will be dispatched to shareholders and published on the website of the Stock Exchange and on the Company's website in due course.

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

Hong Kong, 26 March 2013

As at the date of this announcement, the Board comprises six executive directors; namely, Mr. Yu Chang Jian, Mr. Cao Guo Xian, Mr. Liu Xiao Guang, Mr. Marcello Appella, Mr. Tang Zhi Bin and Mr. Xue Huixuan; 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. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Mr. Li Baochun and Ms. Chan Yee Wah, Eva.