NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

新環保能源控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 3989)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000 (restated)
Continuing operations			
Revenue	3	**740,218**	1,094,892
Cost of sales		**(714,579)**	(874,287)
Gross profit		**25,639**	220,605
Discount on acquisition of additional interest in a subsidiary		**—**	4,922
Other income, gains and losses	4	**(25,155)**	11,390
Administrative expenses		**(101,192)**	(113,443)
Distribution and selling costs		**(30,831)**	(44,388)
Gain on disposal of a business		**7,787**	—
Loss on disposal of subsidiaries		**(33,664)**	—
Loss on disposal of a jointly controlled entity		**(2,242)**	—
Impairment loss on goodwill	5	**(645,060)**	—
Impairment loss on property, plant and equipment		**(79,729)**	—
Finance costs	6	**(36,119)**	(45,999)
(Loss) profit before tax	7	**(920,566)**	33,087
Income tax expense	8	**(305)**	(11,215)
(Loss) profit for the year from continuing operations		**(920,871)**	21,872
Discontinued operation			
Loss for the year from discontinued operation	9	**(57,315)**	(20,398)
(Loss) profit for the year		**(978,186)**	1,474

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
Other comprehensive (expense) income			
Exchange differences on translation			
exchange difference arising during the year		**(10,641)**	33,129
reclassification adjustment upon disposal of a jointly controlled entity		**(647)**	(1,442)
reclassification adjustment upon disposal of subsidiaries		**(15,685)**	—
Available-for-sale investments			
Fair value gain (loss) on available-for-sale investments		**72**	(45)
Reclassification adjustment on disposal of available-for-sale investments		**(367)**	(168)
Revaluation increase on step acquisition from a jointly controlled entity to a subsidiary		**—**	1,118
Other comprehensive (expense) income for the year (net of tax)		**(27,268)**	32,592
Total comprehensive (expense) income for the year		**(1,005,454)**	34,066
(Loss) profit for the year attributable to:			
Owners of the Company		**(978,257)**	7,798
Minority interests		**71**	(6,324)
		(978,186)	1,474
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,005,655)**	41,173
Minority interests		**201**	(7,107)
		(1,005,454)	34,066
(Loss) earnings per share	*10*		
From continuing and discontinued operation			
Basic		**HK(225.98) cents**	HK2.76 cents
Diluted		**HK(225.98) cents**	HK1.31 cents
From continuing operations			
Basic		**HK(212.74) cents**	HK9.96 cents
Diluted		**HK(212.74) cents**	HK9.96 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	NOTES	**2009** **HK$'000**	2008 *HK$'000*
Non-current assets			
Property, plant and equipment		**196,148**	323,432
Investment property		**—**	29,885
Intangible assets		**6,722**	12,177
Goodwill	*5*	**423,280**	—
Prepaid lease payments		**65,898**	66,044
Amounts due from grantors for contract work		**137,134**	—
Available-for-sale investments		**34,700**	575
Financial assets at fair value through profit or loss		**6,404**	5,968
Advance payment for acquisition of an associate		**74,254**	—
Deposits paid for construction of infrastructure in service concession arrangement		**107,068**	—
Deferred tax assets		**—**	626
		1,051,608	438,707
Current assets			
Inventories		**206,670**	291,844
Trade receivables	*12*	**171,693**	402,210
Deposits, prepayments and other receivables		**118,795**	59,999
Deferred consideration receivable		**58,264**	—
Prepaid lease payments		**1,528**	1,497
Amounts due from related companies	*13*	**87,898**	99,171
Amounts due from jointly controlled entities		**11,634**	12,417
Amount due from a former jointly controlled entity		**405**	918
Tax recoverable		**682**	—
Available-for-sale investments		**511**	3,021
Pledged bank deposits		**6,666**	41,719
Bank deposits with original maturity of more than three months		**96,536**	218,391
Bank balances and cash		**125,303**	48,969
		886,585	1,180,156
Assets classified as held for sale		**—**	25,380
		886,585	1,205,536

	NOTES	2009 HK$'000	2008 HK$'000
Current liabilities			
Trade payables	14	**85,011**	148,592
Other payables and accruals		**151,740**	77,609
Deposit received for disposal of a subsidiary		**—**	80,000
Amounts due to related companies		**265,569**	—
Amounts due to joint venturers of jointly controlled entities		**10,582**	9,155
Amounts due to jointly controlled entities		**27,084**	20,028
Taxation payable		**41,578**	32,894
Obligations under finance leases — due within one year		**777**	798
Bank borrowings — due within one year		**124,343**	345,932
Bank overdrafts		**2,425**	26,073
		709,109	741,081
Liabilities associated with assets classified as held for sale		**—**	25,113
		709,109	766,194
Net current assets		**177,476**	439,342
Total assets less current liabilities		**1,229,084**	878,049
Non-current liabilities			
Obligations under finance leases — due after one year		**576**	1,219
Bank borrowings — due after one year		**181,554**	206,627
Convertible redeemable preference shares		**—**	79,292
Conversion option derivative liability		**—**	2,149
Convertible notes		**294,796**	—
Promissory notes		**191,533**	—
Deferred consideration payable		**461**	—
Deferred tax liabilities		**53,667**	6,492
		722,587	295,779
		506,497	582,270
Capital and reserves			
Share capital		**65,830**	28,303
Reserves		**399,962**	562,843
Equity attributable to owners of the Company		**465,792**	591,146
Minority interests		**40,705**	(8,876)
		506,497	582,270

NOTES:

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

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to paragraph 5B of HKFRS 5 and paragraph 80 of HKAS 39

Except as described below, the adoption of new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see Note 8) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

In addition, the Group has adopted the following amendments in advance of their effective dates:

Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

As part of *Improvement to HKFRSs issued in 2009*, the amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operation. Disclosure requirements in other HKFRSs do not generally apply to such disposal groups.

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2], except for the amendment to paragraph 5B to HKFRS 5
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

2. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the Board of Directors of the Company) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss, segment assets and segment liabilities.

In prior years, segment information reported externally was analysed on the basis of the types of goods and services supplied by the Group's operating divisions (i.e. manufacture and sales of apparel and accessories and distribution and retailing of apparel and footwear). The Group's operating and reportable segments for the year ended 31 December 2009 under HKFRS 8 are as follows:

(a) Manufacture and sales of apparel and accessories — provision of supply chain services for its supply of apparel and accessories to international brands.

(b) Waste treatment and waste-to-energy business — investment, engineering, procurement of equipment, operation and maintenance of waste treatment and waste-to-energy plants in first tier cities in the PRC primarily on a build-operate-transfer ("BOT") basis with a concessionary period of 25 to 30 years.

The Group was involved in the distribution and retailing of apparel and footwear which was reported as a separate business segment under HKAS 14. That operation was discontinued during the year ended 31 December 2009.

Segment revenues and results

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

Year ended 31 December 2009

	Continuing operations			
	Manufacture and sales of apparel and accessories *HK$'000*	**Waste treatment and waste-to-energy business** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	**728,818**	**11,400**	**—**	**740,218**
Inter-segment sales	**13,606**	**—**	**(13,606)**	**—**
Total	**742,424**	**11,400**	**(13,606)**	**740,218**
RESULT				
Segment loss	**(202,516)**	**(648,092)**		**(850,608)**
Unallocated income				**3,664**
Unallocated expense				**(9,384)**
Loss on disposal of a jointly controlled entity				**(2,242)**
Loss on disposal of subsidiaries				**(33,664)**
Gain on disposal of a business				**7,787**
Finance costs				**(36,119)**
Loss before tax				**(920,566)**

Year ended 31 December 2008

Continuing operations

	Manufacture and sales of apparel and accessories	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	1,094,892	—	1,094,892
Inter-segment sales	23,351	(23,351)	—
Total	1,118,243	(23,351)	1,094,892
RESULT			
Segment profit			98,194
Elimination of inter-segment transactions			(22,865)
Unallocated income			7,333
Unallocated expense			(8,498)
Discount on acquisition of additional interest in a subsidiary			4,922
Finance costs			(45,999)
Profit before tax			33,087

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of income and expense, central administration cost, directors' salaries, gain (loss) on disposal of jointly controlled entities, subsidiaries and a business, fair value change of an investment property, gain on change in fair value of conversion option derivative liability, discount on acquisition of additional interest in a subsidiary, and finance costs. This is the measure reported to the chief operation decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Year ended 31 December 2009

	Continuing operations		
	Manufacture and sales of apparel and accessories	**Waste treatment and waste-to-energy business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	**823,987**	**877,644**	**1,701,631**
Financial assets at FVTPL			**6,404**
Pledged bank deposits			**6,666**
Bank deposits with original maturity of more than three months			**96,536**
Bank balances and cash			**125,303**
Other unallocated assets			**1,653**
Consolidated total assets			**1,938,193**
LIABILITIES			
Segment liabilities	**107,920**	**171,193**	**279,113**
Amounts due to related companies			**250,000**
Bank borrowings			**305,897**
Convertible notes			**294,796**
Promissory notes			**191,533**
Deferred consideration payable			**461**
Obligations under finance leases			**1,353**
Tax payable			**41,578**
Deferred tax liabilities			**53,667**
Other unallocated liabilities			**13,298**
Consolidated total liabilities			**1,431,696**

Year ended 31 December 2008

	HK$'000
ASSETS	
Segment assets	
Continuing operations	950,715
Discontinued operation	340,714
Financial assets at FVTPL	5,968
Pledged bank deposits	41,719
Bank deposits with original maturity of more than three months	218,391
Total segment assets	1,291,429
Bank balances and cash	48,969
Deferred tax assets	626
Other unallocated assets	37,141
Consolidated total assets	1,644,243
LIABILITIES	
Segment liabilities	
Continuing operations	188,748
Discontinued operation	91,281
Bank borrowings	552,559
Total segment liabilities	280,029
Convertible redeemable preference shares	79,292
Obligations under finance leases	2,017
Conversion option derivative liability	2,149
Tax payable	32,894
Deferred tax liabilities	6,492
Deposit received for disposal of a subsidiary	80,000
Other unallocated liabilities	26,541
Consolidated total liabilities	1,061,973

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

- all assets are allocated to reportable segments other than available-for-sale investments in unlisted funds, investment property, financial assets at fair value through profit or loss, deferred tax assets, pledged bank deposits, bank deposits with original maturity of more than three months, bank balances and cash and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, bank borrowings, bank overdrafts, obligations under finance leases, convertible redeemable preference shares, conversion option derivative liability, convertible notes, promissory notes, deferred consideration payable, deposit received for disposal of a subsidiary and liabilities for which reportable segments are jointly liable.

Other segment information

Year ended 31 December 2009

	Continuing operations		
	Manufacture and sales of apparel and accessories	**Waste treatment and waste-to-energy business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Capital additions *(note)*	**1,466**	**1,110,338**	**1,111,804**
Amortisation of prepaid lease payments	**1,416**	**3**	**1,419**
Amortisation of intangible assets	**—**	**126**	**126**
Depreciation of property, plant and equipment	**14,608**	**452**	**15,060**
Loss on disposal of property, plant and equipment	**533**	**3**	**536**
Allowance for inventories	**46,089**	**—**	**46,089**
Impairment loss on trade receivables	**24,491**	**—**	**24,491**
Impairment loss on other receivables	**9,174**	**—**	**9,174**
Impairment loss on goodwill	**—**	**645,060**	**645,060**
Impairment loss on property, plant and equipment	**79,729**	**—**	**79,729**

Year ended 31 December 2008

Continuing operations	**Manufacture and sales of apparel and accessories**
	HK$'000
Capital additions *(note)*	5,277
Amortisation of prepaid lease payments	1,128
Depreciation of property, plant and equipment	15,495
Loss on disposal of property, plant and equipment	204
Allowance for inventories	317
Impairment loss on trade receivables	694

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

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
Europe	**413,869**	584,924	**—**	—
The PRC	**290,706**	459,249	**868,871**	234,923
Hong Kong	**12,191**	19,817	**4,451**	7,392
Others	**23,452**	30,902	**48**	74
	740,218	1,094,892	**873,370**	242,389

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

3. REVENUE

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Manufacture and sales of apparel and accessories	**728,818**	1,094,892
Provision of construction service under service concession arrangements	**11,400**	—
	740,218	1,094,892

4. OTHER INCOME, GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**1,977**	7,182
Interest income from a jointly controlled entity	**1,078**	—
Interest income on amount due from grantor for contract work	**568**	—
Total interest income	**3,623**	7,182
Gain (loss) on change in fair value of financial assets at FVTPL	**436**	(194)
Gain on disposal of available-for-sale investments	**367**	168
Management fee income from jointly controlled entities	**720**	915
Management fee income from a related company	**—**	990
Royalty fee income	**41**	150
Gain on sale of raw materials	**2,850**	1,749
Sundry income	**473**	1,664
Impairment loss recognised in respect of trade receivables	**(24,491)**	(1,234)
Impairment loss recognised in respect of other receivables	**(9,174)**	—
	(25,155)	11,390

5. GOODWILL AND IMPAIRMENT LOSS ON GOODWILL

In 2009, the Group acquired the entire equity interest in Smartview Investment Holdings Limited ("Smartview") resulting in a goodwill of approximately HK$1,068,340,000, of which HK$645,060,000 has been impaired.

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**30,642**	45,863
Promissory notes	**1,387**	—
Convertible notes	**2,570**	—
Obligations under finance leases	**93**	136
Amounts due to joint venturers of jointly controlled entities	**1,427**	—
	36,119	45,999

7. (LOSS) PROFIT BEFORE TAX

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
(Loss) profit before tax has been arrived at after charging:		
Auditors' remuneration		
— Current year	**1,752**	1,457
— Underprovision in prior year	**—**	204
Cost of inventories recognised as an expense	**665,927**	852,101
Contract cost recognised for waste treatment business	**8,769**	—
Amortisation of intangible assets	**126**	—
Depreciation of property, plant and equipment	**15,060**	15,495
Amortisation of prepaid lease payments	**1,419**	1,128
Allowance for inventories	**46,089**	317
Impairment loss recognised in respect of trade receivables	**24,491**	694
Impairment loss recognised in respect of other receivables	**9,174**	—
Loss on disposal of property, plant and equipment	**536**	204
Net exchange loss	**2,106**	2,929
Staff costs		
— directors' remuneration	**9,353**	15,709
— other staff costs	**36,663**	73,711
— share-based payments excluding directors	**3,864**	1,101
— retirement benefit scheme contribution excluding directors	**3,755**	5,335
	53,635	95,856

8. INCOME TAX EXPENSE

	Continuing operations	
	2009	2008
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**—**	20
Other jurisdictions	**924**	9,330
	924	9,350
Under(over)provision in prior years:		
Hong Kong	**1**	(12)
Other jurisdictions	**—**	(1,137)
	1	(1,149)
Deferred tax:		
Current year	**(620)**	3,014
	305	11,215

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, 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 Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% from 1 January 2008 onwards.

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

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries were exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for next three years. Accordingly, tax provision for these subsidiaries have been provided for after taking into account of these tax exemption and tax concession during the years ended 31 December 2009 and 2008, respectively.

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

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit before tax (from continuing operations)	**(920,566)**	33,087
Tax at the domestic income tax rate of 25%	**(230,142)**	8,272
Deferred tax on distributable earnings of PRC subsidiaries and jointly controlled entities	**(1,552)**	3,294
Tax effect of expenses not deductible for tax purpose	**175,548**	9,147
Tax effect of income not taxable for tax purpose	**(4,024)**	(4,975)
Tax effect on tax concession	**(236)**	(9,376)
Effect of different tax rates of subsidiaries operating in jurisdictions other than the PRC	**—**	99
Tax effect of tax losses not recognised	**28,877**	5,978
Tax effect of other deductible temporary differences not recognised	**37,085**	—
Utilisation of tax losses previously not recognised	**(5,252)**	—
Under(over)provision in prior years	**1**	(1,149)
Others	**—**	(75)
Income tax expense for the year (from continuing operations)	**305**	11,215

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

9. DISCONTINUED OPERATION

On 3 December 2008, the Company entered into a conditional sale agreement with Luxba Group Limited ("Luxba", formerly known as Primewill Investments Limited) to dispose of its 100% equity interest in Well Metro Group Limited ("Well Metro"), which carried out all of the Group's distribution and retailing of apparel and footwear operations. The disposal was completed on 30 October 2009, on which date Well Metro ceased to be a subsidiary of the Company.

The loss for the year from the discontinued operation is analysed as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue	**82,475**	261,553
Cost of sales	**(36,313)**	(117,018)
Gross profit	**46,162**	144,535
Other income, gains and losses	**2,083**	10,116
Gain on fair value of conversion option derivative liability	**1,452**	19,873
Gain on disposal of a jointly controlled entity	**—**	15,134
Fair value change of an investment property	**—**	(3,371)
Distribution and selling expenses	**(48,271)**	(89,001)
Administrative expenses	**(42,248)**	(37,560)
Impairment loss on goodwill	**—**	(36,862)
Impairment loss on property, plant and equipment	**(5,899)**	(23,425)
Impairment loss on prepaid lease payments	**—**	(2,405)
Impairment loss on intangible assets	**—**	(2,138)
Finance costs	**(10,528)**	(12,208)
Loss before tax	**(57,249)**	(17,312)
Income tax expense	**(66)**	(3,086)
Loss for the year	**(57,315)**	(20,398)

10. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
2008 interim dividend of HK3 cents per share	**—**	8,491
2007 final dividend of HK7 cents per share	**—**	19,812
	—	28,303

The directors do not recommend the payment of a final dividend for the years ended 31 December 2009 and 2008.

11. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operation

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

Earnings

	2009	2008
	HK$'000	*HK$'000*
(Loss) earnings for the purpose of basic (loss) earnings per share	**(978,257)**	7,798
Effect of dilutive potential ordinary shares		
Adjustment to the share of profit of a subsidiary based on potential dilution of its earnings per share in respect of convertible preference shares	**—**	(4,100)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(978,257)**	3,698

Number of shares

	2009	2008
	'000	*'000*
	(Note)	*(Note)*
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**432,892**	283,026
Effect of dilutive potential ordinary shares issued by a subsidiary		
Share options	**—**	9
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**432,892**	283,035

Note:

The computation of diluted loss per share for the year ended 31 December 2009 does not assume the exercise of certain outstanding share options of the Company as the respective exercise price was higher than the applicable average market price for that year, nor the conversion of the outstanding convertible notes and warrants of the Company since their assumed exercise would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2008 did not assume the exercise of certain outstanding share options as the respective exercise price was higher than the applicable average market price for that year.

The weighted number of ordinary shares for the purpose of basic (loss) earnings per share has not been adjusted retrospectively for the open offer of shares completed on 3 March 2009 as the subscription price per offer share is higher than the share price immediately before the subscription date.

From continuing operations

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

Earnings figures are calculated as follows:

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(978,257)**	7,798
Add: Loss for the year from discontinued operation	**57,315**	20,398
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share from continuing operations	**(920,942)**	28,196

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

From discontinued operation

Basic loss per share for the discontinued operation is HK13.24 cents per share (2008: loss per share of HK7.20 cents) and diluted loss per share for the discontinued operation is HK13.24 cents per share (2008: loss per share of HK8.65 cents), based on the loss for the year from the discontinued operation of approximately HK$57,315,000 (2008: HK$20,398,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

12. TRADE RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**199,122**	409,337
Less: allowance for doubtful debts	**(27,429)**	(4,585)
	171,693	404,752
Less: Reclassified to assets held for sale	**—**	(2,542)
	171,693	402,210

The Group allows an average credit period normally ranging from 7 days to 90 days to its trade customers.

The aged analysis of trade receivables (net of impairment) presented based on the invoice date at the reporting dates is as follows. The analysis includes those classified as held-for-sale.

	2009	2008
	HK$'000	*HK$'000*
0–90 days	**52,756**	337,606
91–180 days	**82,945**	56,551
181–360 days	**24,758**	9,307
Over 360 days	**11,234**	1,288
	171,693	404,752

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$118,908,000 (2008: HK$50,950,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Trade receivables which are past due but not impaired:

Overdue	**2009**	2008
	HK$'000	*HK$'000*
1–90 days	**81,814**	23,067
91–180 days	**25,860**	17,288
181–360 days	**—**	9,307
Over 360 days	**11,234**	1,288
Total	**118,908**	50,950

Movement in the allowance for doubtful debts:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**4,585**	3,397
Exchange realignment	**(688)**	(46)
Impairment losses recognised on receivables	**24,491**	1,234
Eliminated on disposal of a subsidiary	**(959)**	—
Balance at end of the year	**27,429**	4,585

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$27,429,000 (2008: HK$4,585,000) that are considered doubtful 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.

13. AMOUNTS DUE FROM RELATED COMPANIES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables		
Sergio Tacchini International S.P.A. *(Note)*	**54,553**	99,171
SH Biomax GEP *(Note)*	**25,270**	—
	79,823	99,171
Other receivable		
SH Biomax GEP *(Note)*	**8,075**	—
Total	**87,898**	99,171

Note: Mr. Ngok Yan Yu, a director and substantial shareholder of the Company, has beneficial interests in these companies. Other receivable due from a related company is unsecured, interest free and repayable on demand.

The trade receivables due from related companies are unsecured, interest free and the Group allows a credit period of 120 days to Sergio Tacchini International S.P.A. and 7 days to SH Biomax GEP, respectively.

The aged analysis of the amounts due from these related companies (net of impairment) presented based on the invoice date at the reporting date is as follows:

	2009	2008
	HK$'000	*HK$'000*
0–90 days	**51,403**	37,523
91–180 days	**3,150**	7,476
181–360 days	**—**	54,172
Over 360 days	**25,270**	—
Total	**79,823**	99,171

Included in the Group's amounts due from related companies are aggregate carrying amount of HK$54,622,000 (2008: HK$60,768,000) which are past due at 31 December 2009 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over the balance.

Amount due from related companies which are past due but not impaired:

Overdue	**2009**	2008
	HK$'000	*HK$'000*
1–90 days	**27,798**	6,596
91–180 days	**1,554**	54,172
181–360 days	**—**	—
Over 360 days	**25,270**	—
Total	**54,622**	60,768

14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as liabilities associated with assets held for sale.

	2009	2008
	HK$'000	*HK$'000*
0–90 days	**32,452**	104,953
91–180 days	**17,697**	27,364
181–360 days	**22,939**	11,603
Over 360 days	**11,923**	4,980
	85,011	148,900
Less: Reclassified to liabilities associated with assets classified as held for sale	**—**	(308)
	85,011	148,592

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group's revenue reached approximately HK$823 million, (including supply chain services and waste-to-energy business which are classified as "Continuing Operations" and distribution and retailing business which is classified as "Discontinued Operations") representing decrease of approximately 39.3% over last year. The net loss attributable to the Company's equity holders amounted to approximately HK$978 million for the year under review.

Supply Chain Services

During the year under review, the Group's revenue for its supply chain services reached approximately HK$729 million, representing decrease of approximately 33.4%, as compared to last year, which accounted for approximately 88.6% of the Group's revenue in the financial year 2009.

The Group's gross profit for supply chain services dropped from 22.3% as of last year to 3.0% for the year under review. The Group's drop in gross profit for supply chain services is attributable to (i) increased stock provisions, (ii) global recession; and (iii) the Group's shift from manufacturing to trading mode, which carry reduced margins.

Waste to Energy Business

During the year under review, the Group completed its acquisition of Smartview Investment Holdings Limited (an investment holding company, which holds a group of companies, carrying on the principal business of waste-to-energy technology and services which specializes in technology development, design, system integration, project investment, operation and maintenance of waste treatment, especially waste-to-energy projects in the PRC) on 11 December 2009, which completion was announced in the Company's announcement on 11 December 2009. Further details of the acquisition, which constituted a very substantial acquisition, are contained in the Company's circular dated 23 November 2009. Given completion of the afore-said very substantial acquisition took place towards the end of the year under review, financial impact to the results of the Group thereof for the year under review is minimal.

Distribution and Retailing Businesses

During the year under review, the Group's revenue attributing from its distribution and retailing businesses reached approximately HK$82 million, representing decrease of approximately 68.5%, as compared to last year, which accounted for approximately 10.0% of the Group's revenue in the financial year 2009. For clarity, the Group's distribution and retailing businesses were disposed by the Group on 30 October 2009. As such, the Group only derived revenue attributing from its distribution and retailing businesses for 10 months within the year under review.

The Group's gross profit for its distribution and retailing businesses records a slight increase from 55.3% as of last year to 56.0% for the year under review.

During the year under review, the Group's distribution and retailing businesses was disposed by the Group on 30 October 2009, which completion was announced in the Company's announcement on 30 October 2009. Further details of the disposal, which constituted a very substantial disposal, are contained in the Company's circular dated 24 April 2009.

Operating expenses

In 2009, the Group's distribution and selling expenses decreased significantly by 40.7% to HK$79.1 million, as compared to last year, which as a percentage of revenue, decreased slightly from 9.6% to 9.5%. This decrease was in line with the decrease in turnover of the Group for the year under review.

The Group's administrative expenses decreased by 5.0% from HK$151 million to HK$143 million. This decrease is mainly attributable to the effect of the cost saving as a result of the Groups internal corporate restructuring for the year under review.

Finance Costs

Finance costs decreased by 19.9% to HK$46.6 million, as compared to last year. This substantial decrease is mainly attributable to the Group's decreased bank borrowings.

Liquidity, Financial resources and Capital Structure

As at 31 December 2009, the Group had cash and bank balances of HK$228.5 million, primarily denominated in RMB and HK dollars (31 December 2008: HK$309.1 million), and total bank borrowings of HK$308.3 million (31 December 2008: HK$578.6 million), of which 41% constitute short-term bank borrowings and 59% long-term bank borrowings. The Group's bank borrowings was primarily denominated in RMB, HK dollars and US dollars. As at 31 December 2009, 64.4%, 15.6%, and 20.0% of the Group's total bank borrowings were denominated in RMB, HK dollars and US dollars, respectively, with 60.8% of the total bank borrowing subject to fixed interest rates and 39.2% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and bank balances) over the Group's total shareholders' equity, decreased from 0.45 as at 31 December 2008 to 0.17 as at 31 December 2009. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.57 as at 31 December 2008 to 1.25 as at 31 December 2009.

Foreign exchange exposure

The Group's sales were mostly denominated in US dollars and RMB, while the purchase and operating expenses were mostly denominated in RMB and HK dollars. The Group's exposure to RMB and US dollars fluctuation is balanced by RMB receipt from its PRC supply chain and distribution and retail sales and US dollar receipt from its supply chain related export sales. To minimize possible foreign currency fluctuation, related loss and maximize possible RMB appreciation profit, the Group adopts stringent internal hedging policies, which, during the year, had the strategy of holding the Group's majority monetary assets in RMB. 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 2009, the Group's bank deposits of HK$6.7 million, financial assets at fair value through profit or loss of HK$6.4 million, property, plant and equipment with an aggregate net book value of HK$165.7 million, and land use rights with an aggregate net book value of HK$31.5 million were pledged to secure general banking facilities and bank borrowings granted to the Group.

Capital Commitment

As at 31 December 2009, the Group had capital commitment of HK$58.1 million in respect of construction work under service concession arrangement, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Employment Information

As at 31 December 2009, the Group had about 1,300 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on salary trends prevailing in the aforesaid regions. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2009.

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

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2009, including the accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.hembly.com. The annual report for the year ended 31 December 2009 will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

By order of the Board of
New Environmental Energy Holdings Limited
Ngok Yan Yu
Chairman

Hong Kong, 27 April 2010

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Ngok Yan Yu, Mr. Marcello Appella and Mr. Chan Tak Yan; three non-executive directors, namely Mr. Ho Gilbert Chi Hang, Mr. Mok Chung Kwan, Stephen and Mr. Lim Jui Kian and four independent non-executive directors, namely Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing, Mr. Kwan Hung Sang, Francis and Mr. Cheng Kai Tai, Allen.