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

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

Stock Code 股票代號：03989

Interim Report
中期報告 2010

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Ngok Yan Yu *(Chairman)*
Mr. Marcello Appella
Mr. Chan Tak Yan

Non-executive Directors

Mr. Ho Gilbert Chi Hang
(Appointed on 6 January 2010)
Mr. Mok Chung Kwan, Stephen
(Appointed on 6 January 2010)
Mr. Lim Jui Kian
(Appointed on 14 April 2010)

Independent Non-Executive Directors

Mr. Lo Ming Chi, Charles
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Cheng Kai Tai, Allen
(Appointed on 6 January 2010)

Committees

Audit Committee

Mr. Lo Ming Chi, Charles *(Chairman)*
Mr. Pao Ping Wing
Mr. Kwan Hung Sang, Francis
Mr. Lim Jui Kian
(Appointed on 14 April 2010)

Nomination Committee

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

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Kwan Hung Sang, Francis
Mr. Ngok Yan Yu

Company Secretary

Ms. Wong Bing Ni

Authorized Representatives

Mr. Ngok Yan Yu
Ms. Kwan Shin Luen, Susanna

Registered Office

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

Head Office and Principal Place of Business

Room 302B, 3rd Floor,
New World Tower,
16–18 Queen's Road Central,
Hong Kong.

Auditors

Deloitte Touche Tohmatsu

Legal Adviser

Conyers Dill and Pearman
Troutman Sanders

Principal Bankers

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

Share Registrars and Transfer Offices

Principal Registrar in Cayman Islands

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

Branch Registrar in Hong Kong

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

Corporate Website

www.hembly.com

Stock Code

03989

Overview

In the first half of 2010, the Group's revenue, including continuing and discontinuing operation, reached approximately HK$368.8 million, representing a decrease of 34.6% over the same period last year. Loss attributable to the Company's equity holders was approximately HK$292.9 million, as compared to loss attributable to the Company's equity holders of HK$143.7 million for the same period last year.

Supply Chain Services

During the period under review, the Group's revenue for its supply chain services reached approximately HK$351.9 million, representing decrease of approximately 30.8%, as compared to same period last year, which accounted for approximately 95.4% of the Groups revenue in the first half of 2010.

For the period under review, the Group attained a gross profit of approximately 2.83%, as compared to approximately 14.1% for the same period last year. The decrease is mainly attributable to (i) increased stock provisions (the inventory provision has driven down the gross profit margin from 8.73% to 2.83%); (ii) the continuous appreciation of RMB which led to the increase in cost of sales such as labor cost, and (iii) the Group shifted more of the business from manufacturing to trading mode, which carries reduced margins, during the period under review.

Waste to Energy Business

During the period under review, the Group's revenue for its waste to energy business reached approximately HK$16.8 million. Its gross profit margin is approximately 22.4%.

As the acquisition of waste to energy business was completed on 11 December 2009, there is no comparable for the same period last year.

Operating Expenses

During the period under review, the distribution and selling expenses for the Group, including continuing and discontinuing operation, decreased by approximately 56.8% to approximately HK$21.9 million, as compared to the corresponding period last year.

The decrease in distribution and selling expenses is manly attributable to the disposal of the distribution and retailing business, which was completed on 30 October 2009.

The Group's administrative expenses, including continuing and discontinuing operation, increased by approximately 24.4% to approximately HK$96.2 million during the period under review.

The increase in administrative expenses is mainly attributable to the acquisition of wastes to energy business, which was completed on 11 December 2009.

Finance Costs

Finance costs, including continuing and discontinuing operation, increased by approximately 94.7% to approximately HK$44.6 million, as compared to the same period last year. This substantial increase is mainly attributable to the effective interest expense on the convertible notes and promissory notes, which issuance was made in December 2009.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Group had cash and bank balances of approximately HK$355.0 million, primarily denominated in RMB and HK dollars, (31 December 2009: HK$228.5 million), and total bank borrowings of approximately HK$347.8 millions (31 December 2009: HK$308.3 million), of which approximately 43.2% constituted short-term bank borrowings and approximately 56.8% constituted long-term bank borrowings. The Group's bank borrowings were primarily denominated in RMB and HK dollars. As at 30 June 2010, approximately 71.7% and 28.3% of the Group's total bank borrowings were denominated in RMB and HK dollars, respectively, with approximately 66.3% of the total bank borrowings subject to fixed interest rates and 33.7% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total bank borrowings (net of cash and cash equivalent) over the total shareholders' equity of the Company, was approximately 0.17 as at 31 December 2009. Net gearing ratio has not been calculated as at 30 June 2010 as cash and cash equivalent exceeded total bank borrowings as at 30 June 2010. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from approximately 1.25 as at 31 December 2009 to approximately 1.59 as at 30 June 2010.

Foreign Exchange Exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

Charges on Assets

As at 30 June 2010, the Group's bank deposits of approximately HK$26.4 million, property, plant and equipment with an aggregate net book value of approximately HK$156.8 million, and land use rights with an aggregate net book value of approximately HK$31.9 million were pledged to secure the general banking facilities and bank borrowings granted to the Group.

Capital Commitment

As at 30 June 2010, the Group had capital expenditure not provided in the financial statements in respect of the acquisitions of property, plant and equipments and construction infrastructure in service concession arrangement amounting to HK$467.4 million.

Contingent Liabilities

As at 30 June 2010, the Group had no material contingent liabilities.

Employment and Emolument Policy

As at 30 June 2010, the Group had about 1,100 employees in total, stationed mainly in the PRC, Hong Kong and Europe. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

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

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

Introduction

We have reviewed the interim financial information set out on pages 6 to 45, which comprise the condensed consolidated statement of financial position of New Environmental Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 HK$'000 (unaudited)	 2009 HK$'000 (unaudited)
Continuing operations			
Revenue	3	368,773	508,359
Cost of sales		(355,054)	(436,753)
Gross profit		13,719	71,606
Other income, gains and losses	4	(7,982)	(6,927)
Gain from a bargain purchase on acquisition of a subsidiary	24	2,020	—
Gain on disposal of subsidiaries	25	38,627	—
Loss on disposal of a jointly controlled entity	26	—	(2,242)
Administrative expenses		(96,172)	(47,621)
Distribution and selling expenses		(21,862)	(14,586)
Finance costs	5	(44,610)	(16,611)
Gain on fair value change of embedded derivatives	20	16,799	—
Impairment loss on goodwill	12	(144,184)	—
Impairment loss on property, plant and equipment	11	(56,000)	(78,537)
Share of results of an associate		2,281	—
Loss before tax		(297,364)	(94,918)
Income tax expense	6	(1,780)	(2,322)
Loss for the period from continuing operations		(299,144)	(97,240)
Discontinued operation			
Loss for the period from discontinued operation	7	—	(49,134)
Loss for the period	8	(299,144)	(146,374)

	Notes	Six months ended 30 June 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		25,173	(12,075)
Gain on fair value change of available-for-sale investment		—	38
Reclassification adjustment on disposal of a jointly controlled entity		—	(647)
Reclassification adjustment on disposal of a subsidiary		562	—
Other comprehensive income (expense) for the period		25,735	(12,684)
Total comprehensive expense for the period		(273,409)	(159,058)
Loss for the period attributable to:			
Owners of the Company		(292,945)	(143,711)
Non-controlling interests		(6,199)	(2,663)
		(299,144)	(146,374)
Total comprehensive expense attributable to:			
Owners of the Company		(267,210)	(156,526)
Non-controlling interests		(6,199)	(2,532)
		(273,409)	(159,058)
LOSS PER SHARE	10		
From continuing and discontinued operations			
Basic		HK(37.98) cents	HK(38.13) cents
Diluted		HK(38.30) cents	N/A
From continuing operations			
Basic		HK(37.98) cents	HK(25.09) cents
Diluted		HK(38.30) cents	N/A

Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	183,008	196,148
Intangible assets		5,988	6,722
Goodwill	12	271,729	423,280
Prepaid lease payments		66,162	65,898
Amounts due from grantors for contract work	13	158,147	137,134
Available-for-sale investment		34,700	34,700
Financial assets at fair value through profit or loss		—	6,404
Interest in an associate	14	77,321	—
Advance payment for acquisition of an associate		—	74,254
Deposits paid for construction of infrastructure in service concession arrangements		105,798	107,068
		902,853	1,051,608
Current assets			
Inventories		161,613	206,670
Trade receivables	15	236,820	171,693
Deposits, prepayments and other receivables		127,621	118,795
Deferred consideration receivable		49,193	58,264
Prepaid lease payments		1,544	1,528
Amounts due from related companies	16	142,842	87,898
Amount due from an associate		2,870	—
Amounts due from jointly controlled entities		—	11,634
Amount due from a former jointly controlled entity		—	405
Tax recoverable		668	682
Available-for-sale investments		551	511
Pledged bank deposits		26,406	6,666
Bank deposits with original maturity of more than three months		34,952	96,536
Bank balances and cash		293,670	125,303
		1,078,750	886,585

	Notes	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Current liabilities			
Trade payables	17	55,225	85,011
Other payables and accruals		188,821	151,740
Amounts due to related companies	18	250,000	265,569
Amounts due to joint venturers of jointly controlled entities		—	10,582
Amount due to jointly controlled entities		—	27,084
Tax payable		32,664	41,578
Obligations under finance leases—due within one year		773	777
Bank borrowings—due within one year	19	150,172	124,343
Bank overdrafts		—	2,425
		677,655	709,109
Net current assets		401,095	177,476
Total assets less current liabilities		1,303,948	1,229,084
Non-current liabilities			
Obligations under finance leases—due after one year		207	576
Bank borrowings—due after one year	19	197,623	181,554
Convertible bonds	20	124,298	—
Embedded derivatives	20	18,798	—
Convertible notes	21	242,734	294,796
Promissory notes	22	203,913	191,533
Deferred consideration payable		461	461
Deferred tax liabilities		42,796	53,667
		830,830	722,587
		473,118	506,497
Capital and reserves			
Share capital	23	84,946	65,830
Reserves		353,764	399,962
Equity attributable to owners of the Company		438,710	465,792
Non-controlling interests		34,408	40,705
		473,118	506,497

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Enterprise expansion reserve HK$'000 (Note a)	Statutory reserve HK$'000 (Note b)	Translation reserve HK$'000	Share option reserve HK$'000	Special reserve HK$'000 (Note c)	Investment revaluation reserve HK$'000	Step acquisition revaluation reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009 (audited)	28,303	211,345	2,015	17,414	71,214	5,194	30,052	295	1,118	–	224,196	591,146	(8,876)	582,270
Loss for the period	–	–	–	–	–	–	–	–	–	–	(143,711)	(143,711)	(2,663)	(146,374)
Exchange differences arising on translation of foreign operations	–	–	–	–	(12,206)	–	–	–	–	–	–	(12,206)	131	(12,075)
Gain on fair value change of available-for-sale investment	–	–	–	–	–	–	–	38	–	–	–	38	–	38
Reclassification adjustment on disposal of a jointly controlled entity (Note 26)	–	–	–	–	(647)	–	–	–	–	–	–	(647)	–	(647)
Total comprehensive (expense) income for the period	–	–	–	–	(12,853)	–	–	38	–	–	(143,711)	(156,526)	(2,532)	(159,058)
Exercise of share options	139	359	–	–	–	–	–	–	–	–	–	498	–	498
Issue of shares under open offer	14,152	28,303	–	–	–	–	–	–	–	–	–	42,455	–	42,455
Share issuance expense	–	(2,795)	–	–	–	–	–	–	–	–	–	(2,795)	–	(2,795)
Transfer of share premium upon exercise of share options	–	185	–	–	–	(185)	–	–	–	–	–	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	4,235	–	–	–	–	–	4,235	–	4,235
At 30 June 2009 (unaudited)	42,594	237,397	2,015	17,414	58,361	9,244	30,052	333	1,118	–	80,485	479,013	(11,408)	467,605
At 1 January 2010 (audited)	65,830	534,603	2,015	18,843	44,111	3,644	30,052	–	–	518,895	(752,201)	465,792	40,705	506,497
Loss for the period	–	–	–	–	–	–	–	–	–	–	(292,945)	(292,945)	(6,199)	(299,144)
Exchange differences arising on translation of foreign operations	–	–	–	–	25,173	–	–	–	–	–	–	25,173	–	25,173
Reclassification adjustment on disposal of a subsidiary (Note 25)	–	–	–	–	562	–	–	–	–	–	–	562	–	562
Total comprehensive income (expense) for the period	–	–	–	–	25,735	–	–	–	–	–	(292,945)	(267,210)	(6,199)	(273,409)
Issue of shares under placing	8,574	161,354	–	–	–	–	–	–	–	–	–	169,928	–	169,928
Share issuance expense	–	(7,687)	–	–	–	–	–	–	–	–	–	(7,687)	–	(7,687)
Recognition of equity-settled share based payments	–	–	–	–	–	144	–	–	–	–	–	144	–	144
Exercise of share options	5	73	–	–	–	–	–	–	–	–	–	78	–	78
Transfer of share premium upon exercise of share options	–	25	–	–	–	(25)	–	–	–	–	–	–	–	–
Lapse of share options	–	–	–	–	–	(652)	–	–	–	–	652	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(98)	(98)
Issue of shares upon conversion of convertible notes	10,537	185,285	–	–	–	–	–	–	–	(127,795)	–	68,027	–	68,027
Deferred tax transferred upon conversion of convertible notes	–	–	–	–	–	–	–	–	–	9,638	–	9,638	–	9,638
At 30 June 2010 (unaudited)	84,946	873,653	2,015	18,843	69,846	3,111	30,052	–	–	400,738	(1,044,494)	438,710	34,408	473,118

Notes:

(a) According to the respective Articles of Association, the subsidiaries registered in the People's Republic of China ("PRC") shall make appropriation to the enterprise expansion reserve out of profit of statutory financial statements, and the amount and allocation basis are decided by its board of directors annually. The enterprise expansion reserve can be used to expand the capital of the PRC subsidiaries.

(b) The statutory reserve of the Group refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of registered capital of the relevant PRC subsidiary. The statutory reserve fund can be used to make up prior years' losses of the PRC subsidiaries.

(c) The special reserve represents the difference between the aggregate of the nominal value of share capital and share premium of Full Prosper Holdings Limited acquired by the Company pursuant to a group reorganisation in June 2006 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(166,351)	(156,452)
NET CASH FROM INVESTING ACTIVITIES			
Decrease in bank deposits with original maturity of more than three months		60,593	146,852
(Increase) decrease in pledged bank deposits		(19,777)	19,383
Acquisition of a subsidiary	24	5,928	—
Purchase of property, plant and equipment		(46,714)	(11,896)
Disposal of subsidiaries	25	(188)	—
Disposal of a jointly controlled entity	26	—	(3,483)
Disposal of financial assets at fair value through profit or loss		6,239	—
Decrease in deferred consideration receivable		38,264	—
Advance to related company		(30,435)	—
Payments to contractors for construction of infrastructure in service concession arrangement		(10,249)	—
Other investing cash flows		2,511	264
		6,172	151,120
NET CASH FROM FINANCING ACTIVITIES			
New bank borrowings raised		275,309	639,435
Repayment of bank borrowings		(252,102)	(655,916)
Interest paid		(11,941)	(22,915)
Issuance of convertible bonds	20	156,000	—
Issuance of shares		170,006	39,660
Share issuance expense		(7,687)	(2,795)
Other financing cash flows		(373)	2,952
		329,212	421
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		169,033	(4,911)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,759	(4,860)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		122,878	26,379
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		293,670	16,608
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		293,670	29,864
Bank overdrafts		—	(17,284)
Cash and cash equivalents included in a disposal group held for sale		—	4,028
		293,670	16,608

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 ("HKAS") *Interim Financial Reporting*.

With effect from January 2010, the directors of the Company has determined that the functional currency of the Company has been changed from Hong Kong dollar to Renminbi. The subsidiaries of the Company which are engaged in the manufacturing and sale of apparels and accessories business with factories located in the PRC have increased their sales to the customers in the PRC which are mainly denominated in Renminbi. In addition, the Group has commenced its waste treatment and waste-to-energy business in the PRC since December 2009 through the acquisition of a subsidiary. As a result of these changes, the management of the Company considered that the Company's primary economic environment is the PRC.

For users' convenience of the condensed consolidated financial statements because the Company is listed in Hong Kong, the results and financial position of the Group are expressed in Hong Kong dollar, i.e. the presentation currency for the consolidated financial statements.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except as described below.

Change in functional currency

In the current period, the Company has changed its functional currency from Hong Kong dollar to Renminbi as described in Note 1.

Functional currency of a group entity is changed only if there are changes to the underlying transactions, events and conditions relevant to the entity. The effects of a change in functional currency are accounted for prospectively. At the date of change of the functional currency, the entity translates all items into the new functional currency using the prevailing exchange rate at that date and the resulting translated amounts for non-monetary items are treated as their historical cost.

Investment in an associate

In the current period, the Group acquired an associate as detailed in Note 14.

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. Principal Accounting Policies (continued)

Investment in an associate (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting since the date of the acquisition. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset whenever there is an indicator for impairment. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments

Convertible bonds
In the current period, the Company issued convertible bonds as detailed in Note 20.

As set out in note 20, the convertible bonds issued by the Company contain conversion option exercisable at the discretion of the holder and early redemption options. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is treated as a conversion option derivative. Conversion option derivative and early redemption options are treated as embedded derivatives and are remeasured to fair value at each reporting date, with the resulting fair value gains or losses recognised in profit or loss.

At the date of issue, both the liability and embedded derivatives components are recognised at fair value using discounted cash flow and Binominal Option Pricing Model, respectively.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

2. Principal Accounting Policies (continued)

Financial instruments (continued)

Convertible bonds (continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and embedded derivatives in proportion to their relative fair values at initial recognition. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Groups applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations to which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

For business combinations during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions to which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The application of the other new and revised HKFRSs has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the Board of Directors of the Company) for the purposes of resource allocation and performance assessments, 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 previously a separate operating segment. That operation was discontinued during the year ended 31 December 2009. The results of that operating segment were set out in note 7.

Information regarding the above segments is reported below.

Six months ended 30 June 2010 (unaudited)

Continuing operations

	Manufacture and sales of apparel and accessories HK$'000	Waste treatment and waste-to-energy business HK$'000	Total HK$'000
Segment revenue			
External sales	351,944	16,829	368,773
Segment result	(58,258)	(180,779)	(239,037)
Unallocated income			2,803
Unallocated corporate expense			(20,247)
Gain from a bargain purchase on acquisition of a subsidiary			2,020
Gain on disposal of subsidiaries			38,627
Gain on fair value change of embedded derivatives			16,799
Impairment loss on property, plant and equipment			(56,000)
Share of results of an associate			2,281
Finance costs			(44,610)
Loss before tax			(297,364)

3. Segment Information (continued)

Six months ended 30 June 2009 (unaudited)

Continuing operations

	Manufacture and sales of apparel and accessories HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue			
External sales	508,359	—	508,359
Intragroup sales to the "distribution and retailing of apparel and footwear" segment	3,001	(3,001)	—
Total	511,360	(3,001)	508,359
Segment result	9,988		9,988
Unallocated income			666
Unallocated corporate expense			(8,182)
Loss on disposal of a jointly controlled entity			(2,242)
Impairment loss on property, plant and equipment			(78,537)
Finance costs			(16,611)
Loss before tax			(94,918)

Segment profit/loss represents the profit/loss earned by each segment without allocation of interest income, royalty income, corporate expenses, gain on bargain purchase on acquisition of a subsidiary, impairment loss on property, plant and equipment, gain on fair value change of embedded derivatives, gain (loss) on disposal of subsidiaries and a jointly controlled entity, share of results of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

4. Other Income, Gain and Losses

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Continuing operations		
Bank interest income	**2,803**	626
Effective interest income on amounts due from grantors for contract work	**2,902**	—
(Loss) gain on change in fair value of financial assets at fair value through profit or loss	**(165)**	210
(Loss) gain on disposal of property, plant and equipment	**(157)**	196
Management fee income from jointly controlled entities	**240**	360
Recovery of trade receivables impaired (recognition of impairment loss on trade receivables)	**6,347**	(8,750)
Recognition of impairment loss on other receivables	**(21,760)**	—
Royalty income	**—**	40
Sundry income	**1,808**	391
	(7,982)	(6,927)

5. Finance Costs

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Continuing operations		
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**11,900**	16,554
Convertible bonds	**3,895**	—
Convertible notes	**15,964**	—
Loan from a joint venturer of a former jointly controlled entity	**430**	—
Obligations under finance leases	**41**	57
Promissory notes	**12,380**	—
	44,610	16,611

6. Income Tax Expense

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the group entities had no assessable profits for both periods under review.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate applicable to the Group's subsidiaries in the PRC is 25%.

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. The tax holiday and tax concession will expire in 2012. Accordingly, tax provision for these subsidiaries have been provided for after taking into account these tax exemption and tax concession during both periods under review.

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

	Six months ended 30 June	
	2010 **HK$'000** **(unaudited)**	2009 HK$'000 (unaudited)
Continuing operations		
Current tax:		
PRC and other jurisdictions	**3,462**	2,322
Deferred tax:		
Current year	**(1,682)**	—
Income tax expense relating to continuing operations	**1,780**	2,322

7. Discontinued Operation

On 3 December 2008, the Company entered into a sale agreement with Primewill Investments Limited, an independent third party, 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 operation. The disposal was completed on 30 October 2009. Since then Well Metro ceased to be a subsidiary of the Company.

The results of the Group's distribution and retailing of apparel and footwear operation for the six months ended 30 June 2009 were as follows:

	Six months ended 30 June 2009 HK$'000 (unaudited)
Revenue	55,657
Cost of sales	(29,460)
Gross profit	26,197
Other income, gains and losses	1,109
Gain on fair value change of conversion option derivative liability	1,452
Distribution and selling expenses	(36,010)
Administrative expenses	(29,679)
Impairment loss recognised upon transfer from property, plant and equipment to investment property	(824)
Impairment loss on property, plant and equipment	(5,075)
Finance costs	(6,304)
Loss for the period	(49,134)

Loss for the period from discontinued operation was arrived at after charging the following items:

	Six months ended 30 June 2009 HK$'000 (unaudited)
Depreciation of property, plant and equipment	6,432
Amortisation of intangible assets	904
Amortisation of prepaid lease payments	168
Loss on disposal of property, plant and equipment	64
Net exchange loss	1,061

8. Loss for the Period

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

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Continuing operations		
Cost of inventories recognised as an expense	**341,990**	407,293
Depreciation of property, plant and equipment	**8,594**	7,424
Amortisation of prepaid lease payments	**766**	570
Amortisation of intangible assets	**734**	—
Loss (gain) on disposal of property, plant and equipment	**157**	(196)
Net exchange loss	**12,994**	2,723
Provision for penalty charges, included in administrative expense	**20,729**	—

9. Dividend

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

10. Loss Per Share

From continuing and discontinued operations

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

	Six months ended 30 June	
	2010 **HK$'000** **(unaudited)**	2009 HK$'000 (unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	**(292,945)**	(143,711)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**(12,904)**	—
Loss for the purpose of diluted loss per share	**(305,849)**	(143,711)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**771,290**	376,917
Effect of dilutive potential ordinary shares:		
Convertible bonds	**27,235**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**798,525**	376,917

10. Loss Per Share (continued)

From continuing operations

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

	Six months ended 30 June	
	2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Loss		
Loss for the period attributable to owners of the Company	**(292,945)**	(143,711)
Less: Loss for the period from discontinued operation	**—**	49,134
Loss for the purpose of basic loss per share from continuing operations	**(292,945)**	(94,577)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**(12,904)**	N/A
Loss for the purpose of diluted loss per share from continuing operations	**(305,849)**	N/A

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

From discontinued operation

For the six months ended 30 June 2009, basic and diluted loss per share from discontinued operation is HK0.79 cents per share, based on the loss for the period from discontinued operation of HK$49,134,000 and the denominators detailed above for both basic and diluted loss per share.

11. Movements in Property, Plant and Equipment

During the period, the Group incurred construction in progress of approximately HK$45,924,000 (for the six months ended 30 June 2009: Nil). The Group also acquired leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles of approximately HK$520,000, HK$256,000, HK$14,000 and HK$Nil, respectively (for the six months ended 30 June 2009: HK$1,069,000, HK$10,222,000, HK$599,000 and HK$6,000).

During the six months ended 30 June 2010, the Company entered into a conditional sale and purchase agreement to dispose of its manufacture and sale of apparels and accessories business as described as Note 18. The management of the Group considered that the entering into an agreement to disposal of the operation is an indicator of the impairment of the related property, plant and equipment of the Group. As a result, an impairment loss of HK$56,000,000 is recognised on property, plant and equipment of the manufacture and sale of apparels and accessories segment as the recoverable amount, measured at the fair value less costs to sell, was less than its carrying amount. The fair value less costs to sell was determined based on the consideration of the disposal.

During the six months ended 30 June 2009, the management of the Group implemented business restructurings and closed down a production plant of a subsidiary in the PRC on the basis that the recoverable amount, measured at the higher of value in use and fair value less costs to sell, was less than its carrying amount by approximately HK$78,537,000. An impairment loss of HK$78,537,000 was recognised in respect of property, plant and equipment.

12. Goodwill

	HK$'000 (unaudited)
COST	
At 1 January 2010	1,068,340
Disposal of a subsidiary (Note 25)	(11,853)
Exchange realignment	11,523
At 30 June 2010	1,068,010
IMPAIRMENT	
At 1 January 2010	645,060
Impairment loss recognised during the period	144,184
Exchange realignment	7,037
At 30 June 2010	796,281
CARRYING AMOUNTS	
At 30 June 2010	271,729
At 31 December 2009	423,280

12. Goodwill (continued)

The goodwill recognised at the end of the reporting period principally arose from the acquisition of a subsidiary, Smartview Investment Holdings Limited ("Smartview"), in December 2009. Smartview and its subsidiaries are principally engaged in the waste treatment and waste-to-energy business. The carrying amount of goodwill has been allocated to two groups of cash generating units ("CGUs") based on the nature of technology used in the waste treatment and waste-to-energy business as follows:

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Incineration technology	**114,078**	234,020
Anaerobic digestion technology	**157,651**	189,260
	271,729	423,280

During the period, an impairment loss of HK$144,184,000 was recognised in profit or loss based on the value in use calculation as detailed below.

The recoverable amount of each CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management. For each CGU, it consists of cash flows arising from operation of waste treatment and waste-to-energy plants and provision of engineering and procurement of equipment services discounted at a rate of 14.48% per annum. Cash flows arising from operation of waste treatment and waste-to-energy plants are budgeted over the respective concession period of 25 to 30 years granted by the service concession agreements. Cash flows arising from provision of engineering and procurement of equipment services are budgeted over a 2-year period, and cash flows beyond the 2-year period are extrapolated at a constant growth rate of 3%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows and outflows which include budgeted sales and budgeted gross margin, which is determined based on past performance and management's expectation for the market development.

13. Amounts due from Grantors for Contract Work

Amounts due from grantors for contract work represent consideration receivable for the construction services rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC on a BOT basis (as defined in Note 3).

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.

As at 30 June 2010 and 31 December 2009, the Group had 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: Waste treatment	Practical processing per day: Electricity generation
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	29.12.2007 to 28.12.2034 (27 years)	650 tonnes	36 million kWh
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	17.1.2009 to 16.1.2036 (27 years)	1,200 tonnes	131 million kWh

Pursuant to the service concession agreements, the Group is required to surrender these waste treatment and waste-to-energy plants to the Grantors at a specified level of serviceability at the end of the respective service concession periods. As at 30 June 2010 and 31 December 2009, no provision has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions as the operation has not commenced and still under the construction phase.

During the 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 the service concession agreements. In addition, the Group also has the right to charge on-grid electricity tariff from users after commencement of operation over the respective service concession periods.

During the six months ended 30 June 2010, the Group recognised revenue from construction services of approximately HK$16,493,000 (2009: Nil) by reference to the stage of completion of the construction work.

14. Interest in an Associate

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Cost of investment in an associate		
— Unlisted	**75,021**	—
Share of post-acquisition profits and other comprehensive income	**2,281**	—
Exchange realignment	**19**	—
	77,321	—

In April 2010, the Group completed the acquisition of 46% equity interest in 深圳粵能環保再生能源有限公司 ("SZ Yueneng"), a company established in the PRC, for a cash consideration of approximately RMB65,000,000 (equivalent to HK$75,021,000). SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis. The consideration was fully paid in prior years and presented as advance payment for acquisition of an associate as at 31 December 2009 and reclassified to the cost of investment in an associate upon completion of the acquisition.

The summarised financial information in respect of the Group's unlisted associate is set out below:

	30 June 2010 HK$'000 (unaudited)
Total assets	407,617
Total liabilities	(239,528)
Net assets	168,089
The Group's share of net assets of associate	77,321
Revenue	8,163
Profit and total comprehensive income for the period	4,959
The Group's share of profit and total comprehensive income of associate for the period	2,281

15. Trade Receivables

The Group allows an average credit period of 7 to 90 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
0–90 days	120,611	52,756
91–180 days	113,078	82,945
181–360 days	2,012	24,758
Over 360 days	1,119	11,234
	236,820	171,693

16. Amounts due from Related Companies

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Trade receivables		
Sergio Tacchini International S.P.A. ("ST") (Note a)	79,062	54,553
Shanghai Biomax Green Energy Park Company Limited ("SH Biomax GEP") (Note b)	25,270	25,270
	104,332	79,823
Other receivable		
SH Biomax GEP	38,510	8,075
	142,842	87,898

Notes:

(a) Mr. Ngok Yan Yu, a director and a shareholder of the Company, has beneficial interest in ST.

(b) SH Biomax GEP is an available-for-sale investment of the Group. In addition, Mr. Ngok Yan Yu, a director and a shareholder of the Company, had beneficial interest in SH Biomax GEP as at 31 December 2009. During the period, Mr. Ngok Yan Yu disposed of its entire interest in SH Biomax GEP.

16. Amounts due from Related Companies (continued)

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

The following is an aged analysis of amounts due from related companies at the end of the reporting period, presented based on the invoice date:

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
0–90 days	12,418	51,403
91–180 days	24,846	3,150
181–360 days	41,026	—
Over 360 days	26,042	25,270
	104,332	79,823

Included in the above amounts due from related companies are aggregate carrying amount of approximately HK$88,379,000 (31 December 2009: HK$54,622,000) that have been past due at 30 June 2010 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.

Other receivables due from SH Biomax GEP are unsecured, interest free and repayable on demand.

17. Trade Payables

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

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
0–90 days	18,828	32,452
91–180 days	4,754	17,697
181–360 days	4,196	22,939
Over 360 days	27,447	11,923
	55,225	85,011

18. Amounts due to Related Companies

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Trade payables		
恒寶利(南京)科技實業有限公司 (Note a)	–	15,569
Other payables		
Bloom Origin Limited ("Bloom Origin") (Note b)	250,000	250,000
	250,000	265,569

Notes:

(a) 恒寶利(南京)科技實業有限公司 ("Hembly NJ Tech") was a related company of the Company as at 31 December 2009 as Mr. Ngok Yan Yu, a director and shareholder of the Company, had controlling interest in the company. During the period, Mr. Ngok Yan Yu disposed of its entire interest in Hembly NJ Tech, which no longer a related company of the Group.

(b) Bloom Origin is a related company of the Company as Mr. Ngok Yan Yu, a director and shareholder of the Company, has controlling interest in the company.

The trade payables due to a related company are unsecured, interest free with an average credit period of 90 days.

The following is an aged analysis of trade payables due to a related company at the end of the reporting period, presented based on the invoice date:

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
0–90 days	–	6,328
Over 360 days	–	9,241
	–	15,569

18. Amounts due to Related Companies (continued)

Other payables due to a related company as at 30 June 2010 and 31 December 2009 represents earnest money received by the Company pursuant to a memorandum of understanding (the "Memorandum") signed on 24 December 2009. The Company has granted Bloom Origin the exclusive right for a period of 12 months from the date of the Memorandum to negotiate and enter into a formal sale and purchase agreement for making investment in Full Prosper Holdings Limited ("Full Prosper"), a wholly-owned subsidiary of the Company, including but not limited to, subscription of new shares and/or convertible instruments in Full Prosper, providing financing or acquiring the interest of Full Prosper and/or companies held by Full Prosper in which the consideration must not exceed HK$450 million.

On 8 June 2010, the Company entered into a formal sale and purchase agreement ("the Agreement") with Full Prosper and Bloom Origin with reference to the Memorandum, pursuant to which Bloom Origin has conditionally agreed to acquire and Full Prosper has conditionally agreed to sell, the entire issued share capital of Full Charm Holdings Limited ("Full Charm"), a wholly-owned subsidiary of Full Prosper, at the consideration of HK$450 million. The consideration will be satisfied by the above HK$250 million earnest money received by the Company and the cancellation of the HK$200 million promissory note payable to Bright King Investments Limited ("Bright King") as detailed in note 22(c). Bright King is beneficially owned by Mr. Ngok Yan Yu, a director and shareholder of the Company.

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

The transaction constitutes a very substantial disposal of the Company under the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and is subject to the approval by the independent shareholders at an extraordinary general meeting by way of poll. Upon completion of the disposal, the Group will remain to carry on the apparel business in a trading mode.

As at 30 June 2010, the Reorganisation has not been completed and the extraordinary general meeting has not been held.

The earnest money received is unsecured, interest-free and will be used for settlement of the consideration in relation to the disposal.

19. Bank Borrowings

During the period, the Group obtained new trade finance and bank loans of approximately HK$275,309,000 which carries interest rate at market rate ranging from 5.1% to 9.1% per annum and is payable within one year from draw down date. The Group repaid approximately HK$252,102,000 during the period. The proceeds were used to finance the operation of the Group.

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Bank borrowings	**347,795**	305,897
Bank overdrafts	**—**	2,425
	347,795	308,322
Analysed as:		
Secured	**249,288**	249,899
Unsecured	**98,507**	58,423
	347,795	308,322
Carrying amount repayable on bank borrowings:		
Within one year	**150,172**	124,343
More than one year, but not exceeding two years	**197,623**	181,554
	347,795	305,897
Less: Amounts due within one year shown under current liabilities	**(150,172)**	(124,343)
Amounts due after one year shown under non-current liabilities	**197,623**	181,554

20. Convertible Bonds/Embedded Derivatives

On 13 April 2010, the Company issued convertible bonds with the principal amount of HK$156,000,000 to Waste Resources G.P. Limited ("Waste Resources"), an independent third party ("Convertible Bonds").

The Convertible Bonds can be converted into ordinary shares of the Company at HK$2.50 per share or ordinary shares of Smartview, a wholly-owned subsidiary of the Company, at HK$271,000 per share, subject to anti-dilutive adjustments. Waste Resources has the right, from 30 days after the issue date of the Convertible Bonds up to and including the seventh business day immediately before the maturity date, to convert the whole or part of the outstanding principal amount of the Convertible Bonds into ordinary shares of the Company or Smartview at the option of the holder.

The Convertible Bonds bear zero interest and mature on 13 April 2015, the date on which the Convertible Bonds shall be redeemed at an amount that will provide an internal rate of return of 10% per annum on the outstanding principal amount ("Redemption Amount") on the maturity date. The Company is entitled to, by giving not less than 30 but not more than 60 days' notice, redeem all of the outstanding Convertible Bonds at the Redemption Amount if at least 90 percent in principal amount of the Convertible Bonds have already been converted or redeemed.

Pursuant to the terms of the Convertible Bonds, Waste Resources may request redemption of the Convertible Bonds at the Redemption Amount on or before the 60th day after the third anniversary of the date of issue, if the volume weighted average market price per share of the Company in a period of 30 consecutive trading days immediately before the third anniversary of the date of issue of the Convertible Bonds is less than the conversion price of the Company.

The Convertible Bonds contain two components for accounting purposes: liability component and embedded derivatives component. The effective interest rate of the liability component is 15.85% per annum. The embedded derivatives component is measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

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

	Liability component HK$'000 (unaudited)	**Embedded derivatives** HK$'000 (unaudited)
At date of issue	120,403	35,597
Effective interest charged to profit or loss	3,895	—
Gain on fair value change of embedded derivatives	—	(16,799)
At 30 June 2010	124,298	18,798

The fair value of the liability component at the date of issue is calculated using discounted cash flow methodology.

20. Convertible Bonds/Embedded Derivatives (continued)

The fair values of the embedded derivatives at the date of issue and at 30 June 2010 were determined by reference to a valuation conducted by a firm of independent valuers using Binomial Option Pricing Model. The inputs and methodology used for the calculation of the fair values of the embedded derivatives were as follows:

	13 April 2010	**30 June 2010**
Share price	HK$1.968	HK$0.83
Risk-free rate	1.968%	1.495%
Time to maturity	5 years	5 years
Dividend yield	0%	0%
Volatility	45.12%	45.13%

21. Convertible Notes

On 11 December 2009, the Company issued convertible notes with the principal amounts of HK$488,000,000 and HK$188,040,000 to Simple Success Investment Limited and Bright Good Limited respectively ("Simple Success Convertible Notes" and "Bright Good Convertible Notes", respectively and collectively referred to as "Convertible Notes"), both of which are independent third parties of the Group.

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

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

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

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

21. Convertible Notes (continued)

During the period, Convertible Notes with principal amounts of HK$126,440,000 were converted into 105,366,000 ordinary shares of the Company at the conversion price of HK$1.20 per share.

The conversion price for the Convertible Notes was adjusted successively to HK$1.19 per share on 13 April 2010 and HK$1.18 per share on 14 April 2010, upon completion of the placing of shares as detailed in note 23.

The movement of the liability component and equity component of the Convertible Notes for the period is set out as below:

	HK$'000 (unaudited)
Liability component	
At 1 January 2010	294,796
Effective interest charged to profit or loss	15,964
Transfer to equity upon conversion of convertible notes	(68,026)
At 30 June 2010	242,734
Equity component	
At 1 January 2010	518,895
Transfer to share premium upon conversion of convertible notes	(127,795)
Deferred tax transferred upon conversion of convertible notes	9,638
At 30 June 2010	400,738

22. Promissory Notes

On 11 December 2009, the Group issued the following promissory notes:

(a) a promissory note issued by the Company with a principal amount of HK$80,500,000 to Bright Good Limited ("Bright Good Promissory Note"). The Bright Good Promissory Note bears no interest and has a maturity date of 10 December 2012.

(b) a promissory note issued by the Company with a principal amount of HK$55,000,000 to Bright King ("Bright King Promissory Note"). The Bright King Promissory Note bears no interest and has a maturity date of 10 December 2014.

(c) a promissory note issued by Full Prosper with a principal amount of HK$200,000,000 to Bright King ("Bright King Subsidiary Promissory Note"). The Bright King Subsidiary Promissory Note bears no interest and has a maturity date of 10 December 2014.

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

	HK$'000 (unaudited)
At 1 January 2010	191,533
Effective interest charged to profit or loss	12,380
At 30 June 2010	203,913

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

	Maturity date	**Effective interest rate per annum**	**30 June 2010 HK$'000 (unaudited)**	31 December 2009 HK$'000 (audited)
Bright Good Promissory Note	10 December 2012	12.895%	**59,830**	56,338
Bright King Promissory Note	10 December 2014	13.699%	**31,077**	29,160
Bright King Subsidiary Promissory Note	10 December 2014	13.699%	**113,006**	106,035
			203,913	191,533

23. Share Capital

	Number of ordinary shares		Amount	
	30 June 2010	31 December 2009	**30 June 2010 HK$'000**	31 December 2009 HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At beginning of period/year and at end of period/year	**2,000,000,000**	2,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of period/year	**658,304,000**	283,030,000	**65,830**	28,303
Issue of shares under rights issue	**—**	141,515,000	**—**	14,152
Issue of shares under placements	**85,741,000**	54,900,000	**8,574**	5,490
Exercise of share options	**50,000**	23,859,000	**5**	2,385
Exercise of warrants	**—**	55,000,000	**—**	5,500
Conversion of convertible notes	**105,366,000**	100,000,000	**10,537**	10,000
At end of period/year	**849,461,000**	658,304,000	**84,946**	65,830

During the period, 9,341,000 and 76,400,000 ordinary shares of the Company were issued under placings at an issue price of HK$1.67 and HK$2.02 per share, respectively.

During the period, 50,000 ordinary shares of the Company were issued upon the exercise of 50,000 share options at an exercise price of HK$1.5581 per share.

During the period, 105,366,000 ordinary shares of the Company were issued upon conversion of Convertible Notes at the conversion price of HK$1.20 per share.

24. Acquisition of a Subsidiary

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

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

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

24. Acquisition of a Subsidiary (continued)

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

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

25. Disposal of Subsidiaries

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

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

25. Disposal of Subsidiaries (continued)

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

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

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

The deferred consideration will be settled in cash on or before 31 December 2010.

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

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

26. Disposal of a Jointly Controlled Entity

On 31 December 2008, the Company entered into a sale and purchase agreement to dispose of the Group's jointly controlled entity, Benlim Limited ("Benlim"), which is principally engaged in the business of sourcing and distribution of apparel and footwear, to Benetton Asia Pacific Limited at a consideration of HK$1. The transaction was completed on 1 January 2009.

The Group's share of net assets of Benlim at the date of disposal and the effect of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,858
Inventories	9,755
Trade and other receivables	9,284
Bank balances and cash	3,483
Trade and other payables	(2,648)
Net amount due to group companies	(19,843)
	2,889
Release of translation reserve	(647)
Loss on disposal of a jointly controlled entity	(2,242)
Total consideration, satisfied by cash	—
Net cash inflow arising on disposal:	
Cash consideration	—
Bank balances and cash disposed of	(3,483)
	(3,483)

No profit or loss was contributed to the Group by the jointly controlled entity disposed of during the six months ended 30 June 2009.

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

27. Share-Based Payments

The Company has a share option scheme for eligible directors and employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2010	6,116,822
Exercised during the period	(50,000)
Lapsed during the period	(1,078,956)
Outstanding at 30 June 2010	4,987,866

No share options were granted during the current interim period.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$2.16.

28. Capital Commitments

	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Capital expenditure contracted for but not provided in respect of		
— acquisition of property, plant and equipment	**13,548**	—
— construction work under service concession arrangement	**453,898**	58,169

29. Related Party Transactions

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

Name of related party	Nature of transactions	Six months ended 30 June 2010 HK$'000 (unaudited)	 2009 HK$'000 (unaudited)
Long Wise (Holdings) Limited (note 1)	Service fee paid	—	466
ST (note 2)	Sales of apparel	37,305	52,679
	Sourcing income received	750	3,353
MTT (note 3)	Management fee income received	240	360
Mountain Experience Betiligungs (note 4)	Interest expense	430	—

Notes:

1. The company is a minority shareholder of Pro-brilliance. Pro-brilliance has been disposed of by the Group in June 2010 as disclosed in note 25.

2. A director of the Company has beneficial interest in this company.

3. The company was a jointly controlled entity of the Group before 8 April 2010. On 8 April 2010, the Group acquired the remaining 50% equity interest in MTT (note 24) and MTT become a wholly-owned subsidiary of the Group.

4. The company was a joint venturer of MTT, a jointly controlled entity of the Group before 8 April 2010 and a wholly-owned subsidiary of the Group after further acquisition by the Group on that date.

29. Related Party Transactions (continued)

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

	Six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term benefits	**2,127**	4,536
Post-employment benefits	**12**	24
Share-based payment	**113**	247
	2,252	4,807

30. Events after the end of Interim Period

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

In addition, the Group will advance loan of RMB91.2 million (equivalent to approximately HK$103.97 million) for the purpose of repayment of an existing bank loan of SH Biomax GEP or guarantee the existing loan of SH Biomax GEP so as to release the guarantee provided by SH Zhenhuan in respect of such loan.

Pursuant to the Framework Agreement, upon the end of the construction period of the waste treatment and waste-to-energy project to be operated and owned by SH Biomax GEP, the Group will gradually acquire the equity interest of SH Biomax GEP from SH Zhenhuan so as to reduce the equity interest held by SH Zhenhuan to 9% or below. Subject to the requirements under all applicable laws and regulations and, where applicable, with the consents of the other shareholders of SH Biomax GEP and governmental authorities, the Group will further acquire the remaining equity interest held by SH Zhenhuan.

The above transactions have not been completed by the date the interim financial information is authorised for issue. Details of these transactions are set out in the Company's announcement dated 9 July 2010.

30. Events after the end of Interim Period (continued)

(b) On 26 August 2010, the Company entered into a placing agreement (the "Placing Agreement") with Best View Enterprises Limited and Simple Success Investments Limited (the "Vendors"), and a placing agent, upon which the placing agent has agreed, on a best effort basis, to place to not less than 6 placees up to a maximum of 148,400,000 ordinary shares of the Company held by the Vendors ("Placing Shares") to independent third parties at HK$0.537 per share. Completion of the placing will take place on the third business day after the execution of the Placing Agreement or such other date as the Vendors and the placing agent will agree on.

In addition, at the same date, the Company entered into a subscription agreement (the "Subscription Agreement") with the Vendors, upon which the Vendors conditionally agreed to subscribe for new ordinary shares of the Company at HK$0.537 per share ("Subscription Shares"). The number of Subscription Shares to be issued to the Vendors shall be the same as that of the Placing Shares actually placed under the Placing Agreement.

The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the directors at the annual general meeting of the Company held on 1 June 2010. The net proceeds of approximately HK$76 million from the issue of Subscription Shares will be used as general working capital and for repayment of loans of the Group.

The placing of Placing Shares and the issue of Subscription Shares have not been completed by the date the interim financial information is authorised for issue. Details of the Placing Agreement and the Subscription Agreement are shown in the Company's announcement dated 26 August 2010.

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2010, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Shares of the Company

Name of director	Capacity	Number of shares held	Approximate percentage of shareholdings
Mr. Ngok Yan Yu	Interest of a controlled corporation and interest of spouse (Note 1)	76,594,205 (L)	9.02%
Mr. Marcello Appella	Interest of a controlled corporation (Note 2)	3,588,030 (L)	0.42%
Mr. Kwan Hung Sang, Francis	Beneficial owner	270,000 (L)	0.03%

(L) denotes a long position

Notes:

1. These Shares represent 76,344,205 shares held by Charm Hero Investments Limited ("Charm Hero"), which was wholly owned by Mensun Limited ("Mensun"), which was in turn wholly owned by Mr. Ngok Yan Yu, chairman of the Company and 250,000 shares held by Ms. Tang Chui Yi, Janny, the spouse of Mr. Ngok Yan Yu. As such, Mr. Ngok Yan Yu was deemed or taken to be interested in the Shares held by Charm Hero and Ms. Tang Chui Yi, Janny for the purposes of the SFO.

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

Share options of the Company

The interests of the Directors in the share options of the Company as at 30 June 2010 and the movements of the outstanding share options during the six months are set out as follows:

	Number of share options							
	Balance as at 1 January 2010	Exercised during the period	Lapsed during the period	Reclassified during the period	Balance as at 30 June 2010	Exercisable period	Exercise price	Approximate Percentage of issued share capital of the Company
Name of Directors								
Mr. Ngok Yan Yu (Note 1)	302,298 (Note 2)	—	—	—	302,298	09/10/2007 – 08/10/2010	HK$4.8727	
	503,829 (Note 5)	—	—	—	503,829	18/08/2008 – 17/08/2018	HK$1.5581	
	806,127	—	—	—	806,127			0.09%
Mr. Marcello Appella	251,915 (Note 2)	—	—	—	251,915	09/10/2007 – 08/10/2010	HK$4.8727	
	201,532 (Note 5)	—	—	—	201,532	18/08/2008 – 17/08/2018	HK$1.5581	
	453,447	—	—	—	453,447			0.05%
Ms. Tang Chui Yi, Janny (resigned as director on 28 December 2009, and remains as an employee) (Note 1)	403,063 (Note 2)	—	—	(403,063)	—	09/10/2007 – 08/10/2010	HK$4.8727	
	253,829 (Note 5)	—	—	(253,829)	—	18/08/2008 – 17/08/2018	HK$1.5581	
	656,892	—	—	(656,892)	—			—

	Number of share options							
	Balance as at 1 January 2010	Exercised during the period	Lapsed during the period	Reclassified during the period	Balance as at 30 June 2010	Exercisable period	Exercise price	Approximate Percentage of issued share capital of the Company
Mr. Lam Hon Keung, Keith (resignation effective on 28 December 2009)	201,532 (Note 2)	—	(201,532)	—	—	09/10/2007 – 08/10/2010	HK$4.8727	
	100,766 (Note 5)	(50,000)	(50,766)	—	—	18/08/2008 – 17/08/2018	HK$1.5581	
	302,298	(50,000)	(252,298)	—	—			—
Mr. Wong Ming Yeung (resigned as director on 28 December 2009, and remains as an employee)	302,298 (Note 2)	—	—	(302,298)	—	09/10/2007 – 08/10/2010	HK$4.8727	
	50,766 (Note 5)	—	—	(50,766)	—	18/08/2008 – 17/08/2018	HK$1.5581	
	353,064	—	—	(353,064)	—			—
Employees In aggregate	705,360 (Note 3)	—	(705,360)		—	07/05/2007 – 06/05/2010	HK$2.878	
	— (Note 2)	—	—	705,361	705,361	09/10/2007 – 08/10/2010	HK$4.8727	
	453,448 (Note 4)	—	—	—	453,448	09/10/2007 – 08/10/2010	HK$4.8727	
	— (Note 5)	—	—	304,595	304,595	18/08/2008 – 17/08/2018	HK$1.5581	
	2,386,186 (Note 6)	—	(121,298)	—	2,264,888	11/11/2008 – 10/11/2018	HK$0.3592	
	3,544,994	—	(826,658)	1,009,956	3,728,292			0.44%

Notes:

1. Ms. Tang Chui Yi, Janny is the spouse of Mr. Ngok Yan Yu. As such, Mr. Ngok Yan Yu were deemed or taken to be interested in the share options of Ms. Tang Chui Yi, Janny for the purposes of the SFO. The aggregate family interest in share options is 1,463,019 which represents approximately 0.17% of the issued share capital of the Company as at 30 June 2010.

2. These share options were granted on 9 October 2007. 20% of the granted share options have vested on 9 October 2007 and be exercisable from 9 October 2007 to 8 October 2010. Another 30% of the granted share options have vested on 9 October 2008 and be exercisable from 9 October 2008 to 8 October 2010. The remaining 50% of the granted share options have vested on 9 October 2009 and be exercisable from 9 October 2009 to 8 October 2010.

3. These share options were granted on 7 May 2007 and have vested on 7 May 2007 and be exercisable from 7 May 2007 to 6 May 2010.

4. These share options were granted on 9 October 2007 and have vested on 9 October 2007 and be exercisable from 9 October 2007 to 8 October 2010.

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

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

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

Save as disclosed above, as at 30 June 2010, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2010, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares or underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares held	Approximate percentage of shareholdings
Charm Hero	Beneficial owner	76,344,205 (L)	8.99%
Mensun	Interest of a controlled corporation (Note 1)	76,344,205 (L)	8.99%
Ms. Tang Chui Yi, Janny	Family interest and beneficial owner (Note 2)	78,057,224 (L)	9.19%
Simple Success Investments Limited	Beneficial owner (Note 3)	412,338,983 (L)	48.54%
New World Strategic Investment Limited	Interest of a controlled corporation (Note 3)	412,338,983 (L)	48.54%
New World Development Company Limited	Interest of a controlled corporation (Note 3)	412,338,983 (L)	48.54%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation (Note 3)	412,338,983 (L)	48.54%
Centennial Success Limited	Interest of a controlled corporation (Note 3)	412,338,983 (L)	48.54%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation (Note 3)	412,338,983 (L)	48.54%
Best View Enterprises Limited	Beneficial owner and person having security interest (Note 4)	152,744,205 (L)	17.98%
Chow Tai Fook Nominee Limited	Interest of a controlled corporation (Note 4)	152,744,205 (L)	17.98%
Mr. Cheng Yu Tung	Interest of a controlled corporation (Note 4)	152,744,205 (L)	17.98%
Waste Resources Fund L.P.	Beneficial owner (Note 5)	71,741,000 (L)	8.45%

(L) denotes a long position

Notes:

1. These Shares were held by Charm Hero, which was wholly owned by Mensun. As such, Mensun was deemed or taken to be interested in the Shares held by Charm Hero for the purpose of the SFO.

2. These Shares represent (i) 76,344,205 shares held by Charm Hero, which was in turned owned by Mr. Ngok Yan Yu, spouse of Ms. Tang Chui Yi, Janny, (ii) option to subscribe for 806,127 Shares held by Mr. Ngok Yan Yu and (iii) 250,000 Shares and option to subscribe for 656,892 Shares held by Ms. Tang Chui Yi, Janny. As such, Ms. Tang Chui Yi, Janny was deemed or taken to be interested in the Shares held by Charm Hero.

3. These Shares represent 72,000,000 Shares held by Simple Success Investments Limited and 340,338,983 Shares which may be issuable upon conversion of all the outstanding amount of the convertible notes held by Simple Success Investments Limited, which was a wholly-owned subsidiary of New World Strategic Investment Limited, which was in turn wholly-owned by New World Development Company Limited. Cheng Yu Tung Family (Holdings) Limited has 51% interest in Centennial Success Limited which has 100% interest in Chow Tai Fook Enterprises Limited, which in turn has more than one-third of the issued shares of New World Development Company Limited. As such, Cheng Yu Tung Family (Holdings) Limited, Centennial Success Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, New World Strategic Investment Limited were deemed to have interest in the said Shares and underlying Shares held by Simple Success Investments Limited for the purposes of the SFO.

4. These Shares represent 76,400,000 Shares held by Best View Enterprises Limited and 76,344,205 Shares in which Best View Enterprises Limited has security interest. Best View Enterprises Limited is wholly owned by Chow Tai Fook Nominee Limited, which is in turn controlled by Mr. Cheng Yu Tung. As such, Chow Tai Fook Nominee Limited and Mr. Cheng Yu Tung were deemed to have interest in the Shares that Best View Enterprises Limited had interest in for the purpose of the SFO.

5. The Shares represent 9,341,000 Shares and 62,400,000 Shares which may be issuable upon conversion of all the outstanding convertible bonds held by Waste Resources G.P. Limited as general partner for and on behalf of Waste Resources Fund L.P..

Save as aforesaid and as disclosed in the "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" section above, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 30 June 2010 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2010 (six month ended 30 June 2009: nil).

Directors' Securities Transactions

The Company has adopted the Model Code as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any non-compliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2010.

Corporate Governance Practices

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period, except that the Company was deviated from Code Provision A.1.8 in respect of a very substantial disposal and connected transaction of the Company, in which Mr. Ngok Yan Yu, the chairman and an executive Director of the Company, had a material conflict of interest. The transaction was considered and approved by the Board on 1 June 2010 by way of written resolutions rather than holding a Board meeting. The Company decided to circulate the relevant documents to all Directors for their consideration and approval by reason of the materiality of the proposed transaction and the fact given that certain Directors of the Company should not be available at the time of the proposed meeting.

Audit Committee

The audit committee comprises three independent non-executive directors, namely, Mr. Lo Ming Chi, Charles, Mr. Pao Ping Wing and Mr. Kwan Hung Sang, Francis. Mr. Lo Ming Chi, Charles has been appointed as the chairman of the audit committee.

The audit committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2010 with the management.

In addition, the Group's external auditors performed an independent review of the interim financial information for the six months ended 30 June 2010 in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditors based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

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