THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Environmental Energy Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3989)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 55% INTEREST OF JIANGSU SUBEI WASTE VEHICLES AND HOUSEHOLD APPLIANCES DISMANTLING RECYCLING LTD.* AND NOTICE OF EGM

A notice convening the EGM to be held at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 3:00 p.m. on Monday, 16 December 2013 is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *for identification purposes only*

25 November 2013

In this circular, the following terms and expressions shall have the following meanings, unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Capital by Capital Solid from the Vendors subject to the terms and conditions of the Agreement
"Administrative Measures"	廢棄電器電子產品處理基金徵收使用管理辦法 (the Administrative Measures on Collection and Use of the Fund of Disposing Waste Electrical and Electronic Products*) promulgated by the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC, the Ministry of Environmental Protection of the PRC, the General Administration of Customs of the PRC and the State Administration of Taxation
"Agreement"	the sale and purchase agreement dated 3 September 2013 entered into between Capital Solid and the Vendors in relation to the Acquisition
"Announcement"	the announcement of the Company dated 5 September 2013 in relation to, among other things, the Agreement and the transactions contemplated thereunder
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Capital Solid"	北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*) (formerly known as上海環境百瑪士投資有限公司 (Shanghai Environmental Biomax Investment Limited*)), a company established under the PRC law and an indirect wholly-owned subsidiary of the Company
"Company"	New Environmental Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
"Completion"	the completion of the Acquisition, being completion of the relevant registration of the transfer of the Sale Capital to Capital Solid with the relevant government authorities
"Consideration"	RMB118.8 million (equivalent to approximately HK$149.7 million), the sale and purchase price of the Sale Capital pursuant to the Agreement
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition (assuming the Acquisition has been completed)
"Grant Thornton"	Grant Thornton Hong Kong Limited
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	21 November 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Letter of Intent"	letter of intent for cooperation entered into between Capital Solid and Mr. Chen on 6 June 2013, details of which was disclosed in the Company's announcement dated 6 June 2013
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chen"	陳耀武 (Chen Yaowu*), who owned 58% of the registered capital of the Target Company before the Acquisition, and will own 45% of the registered capital of the Target Company upon Completion
"PRC"	the People's Republic of China which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Rights Issue"	the issue of right shares by the Company, details of which were set out in the circular and prospectus of the Company dated 19 April 2013 and 14 June 2013, respectively
"Sale Capital"	being 55% of the registered capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s) in issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	江蘇蘇北廢舊汽車家電拆解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*), a company established under the PRC law
"Vendors"	Mr. Chen, 張玉道 (Zhang Yudao*), 張立飛 (Zhang Lifei*) and 淮安市雙龍偉業科技有限公司 (Huaian Shuanglong Weiye Technology Company Limited*)
"%"	per cent.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC and the exchange rate between RMB and HK$ for the purpose of this circular is RMB1 : HK$1.26

* *for identification purpose only*

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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3989)

Executive Directors:
Mr. Yu Chang Jian *(Chairman)*
Mr. Cao Guo Xian *(Chief Executive Officer)*
Mr. Liu Xiao Guang
Mr. Xue Huixuan

Independent non-executive Directors:
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Mr. Li Baochun
Ms. Chan Yee Wah, Eva

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

Head office and principal place of business:
Unit 1613–1618, 16/F.
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

25 November 2013

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 55% INTEREST OF JIANGSU SUBEI WASTE VEHICLES AND HOUSEHOLD APPLIANCES DISMANTLING RECYCLING LTD.*

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition. It was announced that Capital Solid has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Capital, representing 55% interest in the Target Company at a consideration of RMB118.8 million (equivalent to approximately HK$149.7 million).

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition; (ii) the financial information of the Group; (iii) the financial information of the Target Company; (iv) the independent valuation report on the Target Company; (v) letter from Grant Thornton relating to the independent valuation report; (vi) letter from Quam Capital Limited relating to the independent valuation report; and (vii) the notice of the EGM.

THE AGREEMENT

Details of the Agreement are as follows:

Date

3 September 2013

Parties

Vendors:	1.	Mr. Chen;
	2.	張玉道 (Mr. Zhang Yudao*);
	3.	張立飛 (Mr. Zhang Lifei*); and
	4.	淮安市雙龍偉業科技有限公司 (Huaian Shuanglong Weiye Technology Company Limited*)
Purchaser:		Capital Solid, an indirect wholly-owned subsidiary of the Company

As at the Latest Practicable Date, the Target Company is owned as to 58% by Mr. Chen, 32.37% by Mr. Zhang Yudao, 5% by Mr. Zhang Lifei and 4.63% by Huaian Shuanglong Weiye Technology Company Limited. Huaian Shuanglong Weiye Technology Company Limited, which is owned as to 90% by Mr. Chen and 10% by an independent third party, is a company established under the PRC law and is principally engaged in research and development in technology of power machinery energy saving, sales of motor vehicles and relevant accessories, sales of car decoration materials, provision of car rental, business information services, conference and exhibition services and property management, etc. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Vendors and their ultimate beneficial owner(s) are third parties independent of and not connected with the Company or any connected person of the Company.

Mr. Chen has executed a personal guarantee in favour of Capital Solid in respect of the obligations of the Vendors under the Agreement.

Assets to be acquired

The assets to be acquired are the Sale Capital, representing 55% of the registered capital of the Target Company. Pursuant to the Agreement, Mr. Zhang Yudao, Mr. Zhang Lifei and Huaian Shuanglong Weiye Technology Company Limited will sell all of their interest in the Target Company to Capital Solid, while Mr. Chen will sell 13% interest of the Target Company to Capital Solid. Upon Completion, the Target Company will be owned as to 55% by Capital Solid and 45% by Mr. Chen. The Target Company will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group's accounts.

Consideration

The Consideration for the Sale Capital is RMB118.8 million (equivalent to approximately HK$149.7 million). As at the Latest Practicable Date, pursuant to the Letter of Intent, the Group had paid an amount of RMB10 million (equivalent to approximately HK$12.6 million) as earnest money, and such earnest money will be treated as part of the Consideration. The remaining Consideration of RMB108.8 million (equivalent to approximately HK$137.1 million) will be payable within five business days after Completion. The earnest money is fully refundable if the Agreement does not become unconditional or any party to the Agreement terminates the Agreement prior to it becoming unconditional. The Company intends to finance the Consideration by the proceeds from the Rights Issues.

The Consideration was determined after arm's length negotiations between the parties to the Agreement taking into account the prospects of the Target Company, the reasons for and benefits of the Acquisition as stated in the section headed "Reasons for and benefits of the Acquisition" below and the condition precedent of the Agreement that the market value of 55% interest of the Target Company as at 31 March 2013 will be not less than RMB118.8 million (equivalent to approximately HK$149.7 million) based on a valuation report prepared by an independent valuer engaged by the Company. The independent valuation report of the Target Company as at 31 August 2013 is set out in Appendix IV to this circular.

Conditions precedent

Completion is conditional upon the following:

(i) the passing by the Shareholders of all resolution(s) required under the Listing Rules to approve the Agreement and the transactions contemplated thereunder at the EGM; and

(ii) the Company having received a valuation report issued by an independent valuer indicating that the market value of 55% interest of the Target Company as at 31 March 2013 was not less than RMB118.8 million (equivalent to approximately HK$149.7 million).

In addition, the parties agreed in the Agreement that the related companies controlled by Mr. Chen and Mr. Zhang Yudao will settle the amount due from them to the Target Company of approximately RMB110.9 million (equivalent to approximately HK$139.7 million) as at 31 March 2013 prior to Completion. Pursuant to an undertaking provided by Mr. Chen to the Company, Mr. Chen has undertaken that the amounts due from related companies to the Target Company and the amount due from the Target Company to a shareholder will be settled in full before the completion of relevant registration of the transfer of Sale Capital with the relevant government authority.

The market value of 55% interest of the Target Company as at 31 August 2013 based on the valuation report contained in Appendix IV to this circular was RMB127.0 million (equivalent to approximately HK$160.0 million). Accordingly, the parties to the Agreement agreed that condition (ii) above had been satisfied.

Completion

Completion shall take place upon the conditions precedent as stated above have been fulfilled and completion of relevant registration of the transfer of Sale Capital to Capital Solid with the relevant government authority.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in August 2010 under the PRC law with registered capital of RMB216 million as at 31 March 2013. It is located in Huaian Industrial Park in Huaian City, Jiangsu Province, the PRC.

Pursuant to the notice dated 11 July 2012 in relation to the first batch of qualified electric and electronic product waste treatment companies jointly issued by the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the Ministry of Environmental Protection of the PRC, the Target Company was granted the qualification to recycle and disassemble waste electrical and electronic equipment in the PRC. It is also among the first batch of companies qualified to enjoy subsidies provided by the PRC government for the treatment of waste electric and electronic products.

Pursuant to the Administrative Measures, the Target Company is entitled to government subsidies for the treatment of certain waste electric and electronic products, namely television, refrigerator, washing machine, air-conditioner and computer. The Administrative Measures did not require that the Target Company must handle certain units of each of the aforesaid subsidised items. The Target Company intends to take the disassembling of television as its main business. The total number of electric and electronic product waste treated by the Target Company for the second half of 2012 was 220,005 sets of television. In addition, the Target Company has treated approximately 615,000 sets of electric and electronic product waste, mainly comprised television, for the first half of 2013.

Set out below is a summary of the audited financial statements of the Target Company for the period from 23 August 2010 (being the date of incorporation of the Target Company) to 31 December 2010, the two years ended 31 December 2011 and 2012 and the eight months ended 31 August 2013, prepared in accordance with Hong Kong Financial Reporting Standards, as extracted from Appendix II to this circular:

	Period from 23 August 2010 to 31 December 2010	Year ended 31 December 2011	2012	Eight months ended 31 August 2013
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
Turnover	—	—	25.8	109.7
Net profit/(loss) before tax	(0.6)	(5.8)	(94.4)	30.3
Net profit/(loss) after tax	(0.6)	(7.2)	(103.9)	22.3

Government subsidy is the main source of turnover of the Target Company. The Administrative Measures was approved by the State Council of the PRC in May 2012 and the Target Company became eligible to the government subsidies since the second half of 2012. Therefore, the turnover of the Target Company increased from nil for the year ended 31 December 2011 to approximately RMB25.8 million (equivalent to approximately HK$32.5 million) for the year ended 31 December 2012. The turnover of the Target Company increased further to approximately RMB109.7 million (equivalent to approximately HK$138.2 million) for the eight months ended 31 August 2013, mainly attributable to the increase in the number of waste electric and electronic products treated by the Target Company during the period. The Target Company recorded a net loss after tax of approximately RMB7.2 million (equivalent to approximately HK$9.1 million) for the year ended 31 December 2011, and the net loss after tax of the Target Company increased to approximately RMB103.9 million (equivalent to approximately HK$130.9 million) for the year ended 31 December 2012, which was mainly due to the written-off of approximately RMB98.9 million (equivalent to approximately HK$124.6 million) of amount due from a related company owned by Mr. Chen and Mr. Zhang Yudao.

The audited net asset value and the total asset of the Target Company as at 31 August 2013 were approximately RMB126.6 million (equivalent to approximately HK$159.5 million) and RMB341.0 million (equivalent to approximately HK$429.7 million), respectively.

As at 31 August 2013, the Target Company has amounts due to and from a shareholder and related companies controlled by Mr. Chen and Mr. Zhang Yudao of approximately RMB1.0 million (equivalent to approximately HK$1.3 million) and RMB123.5 million (equivalent to approximately HK$155.6 million) respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the Latest Practicable Date, the Group is principally engaged in provision of waste treatment technologies and services which specialises in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects.

As disclosed in the annual report of the Company for the year ended 31 December 2012, the PRC government has implemented proactive measures to promote the waste treatment industry. In 2012, the PRC government ranked energy conservation and environmental protection first among the seven "Strategic Emerging Industries" under its "Twelfth Five-Year Plan". The National Development and Reform Commission has also refined the waste-to-energy tariff policy and provided concrete support to the environmental protection industry through special subsidies. In expectation of the great market potential underscored by favourable national policies, the Group will endeavour to seize opportunities in the environmental protection and alternative energy industries to deliver stronger results for the Shareholders. As such, the Directors believe that it is beneficial for the Group to acquire the Target Company which allows the Group to expand its business in the waste treatment industry in the PRC and is in line with the Group's business strategy. The Directors also expected that the Acquisition will strengthen the Group's business profile and allow the Group to capture the business opportunity under the PRC government's proactive measures in the waste treatment industry.

Having considered the followings, including but not limited to, (i) the positive prospects of the waste treatment industry in the PRC; (ii) the proactive measures and subsidies provided by the PRC government to the waste treatment industry; and (iii) the operational and financial performance of the Target Company, the Directors (including the independent non-executive Directors) consider the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the Acquisition and thus no one has abstained from voting on the resolution in respect of the Agreement to be proposed at the EGM.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE ENLARGED GROUP

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group's accounts.

Effect on assets and liabilities

The unaudited consolidated total assets of the Group were approximately HK$1,874.3 million while the total liabilities of the Group were approximately HK$1,867.6 million as at 30 June 2013. Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Enlarged Group's total assets and total liabilities would be increased to approximately HK$2,181.9 million and approximately HK$2,082.7 million, respectively assuming Completion has taken place on 30 June 2013.

Effect on earnings

The Group recorded loss for the year from continuing operations of approximately HK$152.7 million for the year ended 31 December 2012. Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Enlarged Group would have recorded loss for the year from continuing operations of approximately HK$290.9 million for the year ended 31 December 2012 assuming Completion has taken place on 1 January 2012.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios for the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements as set out in Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no Shareholder has any material interest in the Acquisition and therefore no Shareholder is required to abstain from voting on the resolution in respect of the Agreement to be proposed at the EGM.

THE EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice of the EGM to be held at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong at 3:00 p.m. on Monday, 16 December 2013, at which ordinary resolution will be proposed to approve the Agreement and the transactions contemplated thereunder. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

Having considered the above mentioned financial and trading prospect of the Target Company and the benefits of the Acquisition, the Directors consider the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution in respect of the Agreement to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

A. FINANCIAL SUMMARY

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2012 are contained in the annual reports of the Company for the years ended 31 December 2010 (pages 35 to 159), 31 December 2011 (pages 32 to 123) and 31 December 2012 (pages 36 to 113) respectively. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 are contained on pages 3 to 5 of the interim report of the Company for the six months ended 30 June 2013. The abovementioned reports can be accessed on the website of the Company (www.neeh.com.hk) and the website of the Stock Exchange (www.hkexnews.hk). The independent auditors' report for all of the Group's consolidated financial statements for each of the three years ended 31 December 2012 are set out in the annual reports of the Company for the years ended 31 December 2010 (pages 33 to 34), 31 December 2011 (pages 30 to 31) and 31 December 2012 (pages 34 to 35) respectively.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below are the management discussion and analysis of the Company mainly extracted from the respective annual report for each of the three years ended 31 December 2010, 2011 and 2012 and the interim report of the Company for the six months ended 30 June 2013. Terms used in this section below shall have the same meanings as those defined in the aforesaid reports.

For the year ended 31 December 2010

Business outlook and prospects of the Group

Having considered the wave of national environmental awareness supportive policies together with the various possible traditional energy-related crises, the waste treatment business is an area worthy of exploration. In 2009, the Group entered into this business by acquisition of Smartview Investment Holdings Limited.

Under the 11th Five-Year Plan of the PRC, it is expected that the amount of electricity being generated from the waste-to-energy technology will increase to 3.3 Gigawatts by 2020. The Renewable Energy Law of China, which states that it is a national and public obligation to transform waste to energy, was also passed in 2005. There is considerable unexploited potential for the waste-to-energy business in the PRC.

In April 2010, the Group completed the acquisition of 46% equity interest in Shenzhen Yueneng Waste-to-energy Ltd.* ("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, which is designed with an annual waste treatment capacity of approximately 222,750 tonnes.

In April 2010, the Group acquired additional 50% issued share capital of M.T.T. Limited ("MTT"), which engaged in sourcing and distribution of apparel and footwear, previously a jointly controlled entity of the Group which became a wholly owned subsidiary of the Group for a cash consideration of approximately HK$390,000. In November 2010, the Group disposed of its entire 100% shareholding of MTT along with the disposal of Full Charm Holdings Limited ("Full Charm") due to the restructuring of the Group's business.

In November 2010, the Company entered into a formal sale and purchase agreement with STF (China) Limited. Pursuant to the sale and purchase agreement, the Company acquire the entire equity interest in Henghua (Nanjing) Garment Co., Ltd. ("Henghua"), which engaged in trading of garments, for a total consideration of HK$25,000. In February 2012, the Group disposed of its entire 100% shareholding of Henghua along with the disposal of Hembly Garment Manufacturing Limited due to the restructuring of the Group's business.

As at 31 December 2010, the Group had four waste treatment projects that commanded a total investment of approximately RMB1,387 million. The facilities were designed with the annual capacity to process waste of approximately 1,189,650 tonnes which can generate on-grid electricity of approximately 224 million kWh annually.

The progress of the construction of the Beijing Dongcun Sorting Comprehensive Treatment Plant ("Beijing Plant") is currently underway and is progressing in line with plan generally. The Group is continuously monitoring the ongoing progress closely such that the trial run operation can be successfully launched within the Group's anticipated timing.

The Nanchang Solid Waste Incineration Power Generation Plant located in Nanchang Quanling will continue to be under construction in 2010.

The projects located in Shenzhen Pinghu is in normal commercial operation.

During the year under review, the Group has successfully disposed of its manufacture of apparel accessories business and trading of chemical raw material and product business, its non-core businesses, through the disposal of Full Charm, Pro-Brilliance International Development Limited and Shanghai Jinshan Biomax Green Energy Company Limited. This records a net gain on disposal of approximately HK$38.6 million.

Looking forward, the Group will further develop an integrated industry chain on waste treatment, devote its efforts in business investment and mergers and acquisitions which are value-adding to the environmental industry, with an aim to achieve sustainable development in the urban environmental industry. The Group will consider several sources of funding to finance the future investments, which including equity financing, debt financing, bank loans and/or shareholders' loans.

Overview

The Group's revenue reached approximately HK$713.7 million (including trading of apparel and accessories and waste treatment and waste-to-energy business which are classified as "Continuing Operations" and manufacture of apparel and accessories which is classified as "Discontinued Operations"), representing decrease of approximately 13.2% over last year. The net loss attributable to the Company's equity holders amounted to approximately HK$742.3 million for the year under review.

Supply chain services

During the year under review, the Group's revenue for its supply chain services (including trading of apparel and accessories (classified as "Continuing Operations") and manufacture of apparel and accessories (classified as "Discontinued Operations") reached approximately HK$662.1 million, representing decrease of approximately 9.2%, as compared to last year, which accounted for approximately 92.8% of the Group's revenue in the financial year 2010.

For the year under review, the Group attained a gross profit of approximately 13.9%, as compared to approximately 3.0% for last year. The increase is mainly attributable to the decrease in stock provisions.

Waste to energy business

During the year under review, the Group's revenue for its waste treatment and waste-to-energy business reached approximately HK$51.6 million, representing increase of approximately 352.9%, as compared to last year, which accounted for approximately 7.2% of the Group's revenue in the financial year 2010. For clarity, the acquisition of waste treatment and waste-to-energy business was completed on 11 December 2009. As such, the Group only derived revenue attributing from its waste treatment and waste-to-energy less than 1 month last year.

For the year under review, its gross loss is approximately 195.3%.

Operating expenses

In 2010, the Group's distribution and selling costs, including continuing and discontinued operations, decreased significantly by 47.4% to HK$41.6 million, as compared to last year, the decrease is mainly attributable to the disposal of the distribution and retailing of apparels and footwear business, which was completed on 30 October 2009.

The Group's administrative expenses, including continuing and discontinued operations, increased by 28.9% from HK$122.8 million to HK$158.2 million, this increase is mainly attributable to the acquisition of waste treatment and wastes-to-energy business, which was completed on 11 December 2009.

Finance costs

Finance costs, including continuing and discontinued operations, increased by 101.1% to HK$93.8 million, as compared to 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 31 December 2010, the Group had cash and bank balances of HK$37.8 million, primarily denominated in RMB and HK dollars (31 December 2009: HK$228.5 million), and total borrowings of HK$67.7 million (31 December 2009: HK$308.3 million), all of which are short-term borrowings. The Group's borrowings were primarily denominated in RMB and HK dollars. As at 31 December 2010, 26.1% and 73.9% of the Group's total borrowings were denominated in RMB and HK dollars, respectively, with 73.9% of the total borrowing subject to fixed interest rates and 26.1% subject to floating interest rates.

The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, increased from 0.17 as at 31 December 2009 to 0.44 as at 31 December 2010. The current ratio, which is calculated on the basis of current assets over current liabilities, remained at 1.25 for both years ended 31 December 2009 and 31 December 2010.

In order to maximise the shareholders' return and the market capitalisation, the Group has internal policies in place so as to maintain its gearing ratio at a reasonable and acceptable level and to ensure the debt-to-total investment ratio for each project shall not be more than 60%. The Group has adopted a capital preservation policy for managing the funds raised but has not been utilised.

Foreign exchange exposure

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

Charges on assets

As at 31 December 2010, the Group's bank deposits of HK$3.5 million, and property, plant and equipment with an aggregate net book value of HK$25.5 million were pledged to secure general banking facilities and bank borrowing granted to the Group.

Capital commitment

As at 31 December 2010, the Group had capital commitment of HK$451.0 million in respect of the construction infrastructure under service concession arrangement, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Employment information

As at 31 December 2010, the Group had about 160 employees in total, stationed mainly in the PRC, Hong Kong and Europe and the total staff cost (including directors' remuneration) was approximately HK$32.6 million for the year ended 31 December 2010. 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 individual contributions to the Group.

For the year ended 31 December 2011

Business outlook and prospects of the Group

Over the last year, the management strove hard to a clearer future development strategy for the Group. The Group was determined to increase its market share in the solid waste-to-energy treatment sector and become the leading player driving the industry forward. Driven by the 12th Five Year Plan, the value of output of the solid waste industry in the PRC will amount to approximately RMB336 billion. Refuse incineration plants will cover all directly-controlled municipalities, provincial capital cities and cities listed independently on the state plan. Over 80% of the domestic garbage for all cities in the PRC will be subject to harmless treatment. Leveraging on the close relationship established by Beijing Capital Co., Ltd. ("Beijing Capital") with the local governments in respect of water service business as well as its networking resources, the Group will be able to benefit from the business opportunities arising from the state policies.

Globally, imminent crises like pollution, climate change and energy shortage as well as the nuclear power accident in Japan prompted the government of different countries to review their energy policies. Currently, land filling and incineration facilities in the PRC can no longer accommodate the ever-increasing garbage output, leading to an urging market demand on effective waste treatment. We have the bounded duty to provide local governments with one-stop garbage management solutions that perfectly meet the domestic needs. We aim to serve people of the nation by bringing about a better living environment.

As at 31 December 2011, the Group had five waste treatment projects that commanded a total investment of approximately RMB1,787 million. The facilities were designed with the annual capacity to process waste of approximately 1,519,650 tonnes which can generate on-grid electricity of approximately 289 million kWh annually.

The progress of the construction of the Beijing Plant is currently underway and is progressing in line with plan generally. The Group is continuously monitoring the ongoing progress closely such that the trial run operation can be successfully launched within the Group's anticipated timing.

The Nanchang Solid Waste Incineration Power Generation Plant located in Nanchang Quanling will continue to be under construction in 2011.

The projects located in Shenzhen Pinghu is in normal commercial operation.

Looking forward, the Group will further develop an integrated industry chain on waste treatment, devote its efforts in business investment and mergers and acquisitions which are value-adding to the environmental industry, with an aim to achieve sustainable development in the urban environmental industry. The Group will consider several sources of funding to finance the future investments, which including equity financing, debt financing, bank loans and/or shareholders' loans.

Overview

The Group's revenue, from its continuing operations, reached approximately HK$49.0 million, representing decrease of approximately 74.9% over last year. The net loss attributable to the owners of the Company amounted to approximately HK$325.5 million for the year under review.

Trading of apparel and accessories

During the year under review, the Group's revenue from its trading of apparel and accessories business reached approximately HK$28.9 million, representing decrease of approximately 79.9%, as compared to last year, which accounted for approximately 59.0% of the Group's revenue in the financial year 2011.

For the year under review, its gross loss margin is approximately 97.0%.

Waste treatment and waste-to-energy business

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached approximately HK$20.1 million, representing decrease of approximately 61.0%, as compared to last year, which accounted for approximately 41.0% of the Group's revenue in the financial year 2011.

For the year under review, its gross loss margin is approximately 175.0%.

Operating expenses

In 2011, the Group's distribution and selling expenses of the continuing operations, decreased significantly by 96.4% to HK$0.1 million, as compared to last year, the decrease is mainly attributable to the manufacturing of apparel and accessories business, which was disposed of and completed on 30 November 2010.

The Group's administrative expenses of the continuing operations decreased by 62.1% from HK$139.0 million to HK$52.7 million during the year under review, the decrease is mainly attributable to the manufacturing of apparel and accessories business, which was disposed of and completed on 30 November 2010.

Finance costs

Finance costs, for the Group's continuing operations, decreased by 25.9% to HK$60.2 million, as compared to last year. The decrease is mainly attributable to the decrease in the interests on promissory notes and borrowings.

Liquidity, financial resources and capital structure

As at 31 December 2011, the Group had cash and bank balances of HK$54.9 million, primarily denominated in RMB and HK dollars (31 December 2010: HK$37.8 million), and total borrowings of HK$52.3 million (31 December 2010: HK$67.7 million), all of which are short-term borrowings. The Group's borrowings were denominated in RMB and HK dollars. As at 31 December 2011, all of the Group's borrowings were subject to fixed interest rates.

The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, was 0.44 as at 31 December 2010. Net gearing ratio has not been calculated as at 31 December 2011 as cash and cash equivalent exceeded borrowings as at 31 December 2011. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from 1.25 as at 31 December 2010 to 0.44 as at 31 December 2011.

In order to maximise the shareholders' return and the market capitalisation, the Group has internal policies in place so as to maintain its gearing ratio at a reasonable and acceptable level and to ensure the debt-to-total investment ratio for each project shall not be more than 60%. The Group has adopted a capital preservation policy for managing the funds raised but has not been utilised.

Foreign exchange exposure

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

Charges on assets

As at 31 December 2011, the Group has no asset pledged.

Capital commitment

As at 31 December 2011, the Group had capital commitment of HK$449.8 million in respect of the acquisitions of property, plant and equipment and construction infrastructure in service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

Contingent liabilities

As at 31 December 2011, the Group provide guarantees of RMB18.4 million to a bank in respect of banking facilities granted to an associate.

Employment information

As at 31 December 2011, the Group had about 108 employees in total, stationed mainly in the PRC, Hong Kong and Europe and the total staff cost (including directors' remuneration) was approximately HK$26.6 million for the year ended 31 December 2011. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employee and are based on salary trends prevailing in the aforesaid regions.

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

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

For the year ended 31 December 2012

Business outlook and prospects of the Group

The economic outlook for 2013 remains uncertain. Sovereign debt problems in Europe, the fiscal cliff conundrum in the United States are amongst the main factors posing continual risks and uncertainties to the recovery and stability of major economies and financial markets around the world, despite the loose monetary measures taken by major central banks globally.

In respect of the Group's waste treatment and waste-to-energy business, the Group is conservatively optimistic about the future development of the green energy industry. According to the "National Plan for Establishing Facilities for Treatment Of Urban Household Waste in a Non-Hazardous Way under the 12th Five-Year Plan" of the PRC issued in May 2012, the daily waste processing capacity of waste-to-energy shall be substantially increased from 89,625 tonnes at the end of 2010 to approximately 307,155 tonnes by the end of 2015 at an annual compound growth rate of 28%.

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

During the year under review, the Group achieved growth in scale and effectiveness together. The Group succeeded in securing a waste-to-energy project in Xingtai, Hebei Province, China, that are designed with an annual waste treatment capacity of approximately 340,000 tonnes. The facility commanded a total investment of approximately RMB330 million. Besides, in November 2012, the Group acquired two landfill projects in Guizhou, that are designed with an annual waste treatment capacity of approximately 335,000 tonnes through the acquisition of 90% equity interest in Duyan Kelin Environment Company Limited and 80% equity interest in Weng'an Kelin Environment Company Limited. These have not only expanded the Group's market presence across the country, but also laid a solid foundation for its next round of development. It is expected that the new projects will contribute more revenue to the Group following kicking-off of construction and commencement of commercial operation of projects.

As at 31 December 2012, the Group had eight waste treatment projects that commanded a total investment of approximately RMB2,268 million. The facilities were designed with the annual capacity to process waste of approximately 2,008,050 tonnes which can generate on-grid electricity of approximately 377 million kWh annually.

The Group's future prospects would depend primarily on the commencement of commercial operation of the Beijing Dongcun Sorting Comprehensive Treatment Plant, which is the first waste-to-energy project in the PRC applying the technology of anaerobic digestion. The Group is still under negotiation with the local government to extend the service concession period and increase the waste treatment fee of such plant. In 2012, the local government preliminarily agreed to revisit the service concession period and the waste treatment price. The outcome of the negotiation with the local government for the revised terms is expected to be finalised in the first half of 2013. The progress of the construction of the Beijing Plant is currently underway and is progressing in line with plan generally. The coming few months will be critical as far as completion of the construction of the Beijing Plant is concerned and the Group is continuously monitoring the ongoing progress closely such that the trial run operation can be successfully launched within the Group's anticipated timing in the first half of 2013.

The waste-to-energy project in Xingtai is still pending for the final approval from the relevant PRC government authority. The transformation of Phase 1 construction is expected to complete and entered into the trial run stage in 2013. The construction of Phase 2 will be started in 2013 and expected to enter into the trail run stage in 2015.

The Nanchang Solid Waste Incineration Power Generation Plant located in Nanchang Quanling will continue to be under construction in 2013 and expected to enter into the trial run stage in 2014.

The projects located in Shenzhen Pinghu and Guizhou Duyun and Weng'an are all in normal commercial operation.

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

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

The Group's available financial resources have been stretched given the requirements of the ongoing projects and the debt maturity profile of the Group. The Company has been exploring various initiatives to seek new funding as demonstrated by the recent fund raising activities of the Company. Efforts to explore new financing including the Rights Issue as well as the proposed debt restructuring are ongoing with a view to improve the Group's financial position and to avail the Group with financial resources for potential investments in due course.

Looking ahead, with stronger supporting policies from the PRC government and the continued comprehensive support from the substantial shareholder, Beijing Capital HK, the Company is confident that the Company can realise the full potential of all the exciting opportunities for future development. With rising growth momentum and strong competitive edge in the waste treatment industry, the management of the Group believes that once most of the existing projects commence operation, they will provide contribution to the Group. Thus, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

The Group will further consolidate and improve its existing business and technologies, constantly seeking projects with growth potential and good opportunities for acquisitions and mergers, thereby making continuous contribution to the construction of beautiful China and global environmental protection. The Group is on target for getting three to four waste-to-energy projects per year in the future years. The Group will consider several sources of funding to finance the future investments, which including equity financing, debt financing, bank loans and/or shareholders' loans.

Overview

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

Waste treatment and waste-to-energy business

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

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

Operating expenses

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

Finance costs

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

Financial position

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

In order to maximise the shareholders' return and the market capitalisation, the Group has internal policies in place so as to maintain its gearing ratio at a reasonable and acceptable level and to ensure the debt-to-total investment ratio for each project shall not be more than 60%. The Group has adopted a capital preservation policy for managing the funds raised but has not been utilised.

Financial resources

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

Borrowings

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

Foreign exchange exposure

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

Charges on assets

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

Capital commitment

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

Contingent liabilities

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

Employment information

As at 31 December 2012, the Group had about 135 employees in total, stationed mainly in the PRC, Hong Kong and Europe and the total staff cost (including directors' remuneration) was approximately HK$27.0 million for the year ended 31 December 2012. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employee and are based on salary trends prevailing in the aforesaid regions.

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

Dividend

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

For the six months ended 30 June 2013

Business review

The economic outlook for 2013 remains uncertain. Sovereign debt problems in Europe, the fiscal cliff conundrum in the United States are amongst the main factors posing continual risks and uncertainties to the recovery and stability of major economies and financial markets around the world, despite the loose monetary measures taken by major central banks globally. In respect of the Group's waste treatment and waste-to-energy business, the Group is conservatively optimistic about the future development of the green energy industry. According to the "National Plan for Establishing Facilities for Treatment Of Urban Household Waste in a Non-Hazardous Way under the Twelfth Five-Year Plan" of the PRC issued in May 2012, the daily waste processing capacity of waste-to-energy shall be substantially increased from 89,625 tonnes at the end of 2010 to approximately 307,155 tonnes by the end of 2015 at an annual compound growth rate of approximately 28%.

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

As at 30 June 2013, the Group had eight waste treatment projects that commanded a total investment of approximately RMB2,268 million. The facilities were designed with the annual capacity to process waste of approximately 2,008,050 tonnes which can generate on-grid electricity of approximately 377 million kWh annually.

Business prospects

If Beijing Plant of the Group is put into commercial operation as soon as possible, the Group's further development will benefit from its operation. Beijing Plant is the first waste-to-energy project in the PRC applying the technology of anaerobic digestion. On 25 July 2013, the Company received a notice named "Notice of Accelerating the Construction of Dongcun Waste Sorting Comprehensive Treatment Plant" ("Notice") dated on 23 July 2013 from Beijing Municipal Commission of City Administration and Environment in relation to the amendments of the operational terms and conditions of Beijing Plant. The Notice states that:

(1) The waste treatment capacity will increase from 650 tons per day to 930 tons per day;

(2) The concessionary period will be 25 years commencing from 1 January 2014 to 31 December 2038;

(3) The minimum guaranteed volume of waste treatment will increase from 360 tons per day to 500 tons per day.

The progress of the construction of the Beijing Plant is currently underway and is progressing in line with plan generally. The coming few months will be critical as far as completion of the construction of the Beijing Plant is concerned and the Group is continuously monitoring the ongoing progress closely such that the trial run operation can be successfully launched within the Group's anticipated timing in the first half of 2014.

The Xingtai Investment is pending for the final approval from the relevant PRC government authority. The Nanchang Solid Waste Incineration Power Generation Plant located in Nanchang Quanling will continue to be under construction in 2013 and expected to enter into the trial run stage in 2014.

The projects located in Shenzhen Pinghu and Guizhou Duyun and Weng'an are all in normal commercial operation.

Looking ahead, with stronger supporting policies from the PRC government and the continued comprehensive support from the substantial shareholder who proposed to provide further shareholder's loan in the amount of HK$220 million by the end of 2013, the Company is confident that the Company can realise the full potential of all the opportunities for future development. With rising growth momentum and strong competitive edge in the waste treatment industry, the management of the Group believes that once most of the existing projects commence operation, they will provide contribution to the Group. Thus, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

The Group will further consolidate and improve its existing business and technologies, constantly seeking projects with growth potential and good opportunities for acquisitions and mergers, thereby making continuous contribution to the construction of beautiful China and global environmental protection. The Group is on target for getting three to four waste-to-energy projects per year in the future years. As at 30 June 2013, the Group is actively proposing and negotiating investments in three to four waste treatment projects by way of tender or acquisition. The Group will consider several sources of funding to finance the future investments, which including equity financing, debt financing, bank loans and/or shareholders' loans.

Financial review

Overview

The net loss attributable to the owners of the Company amounted to approximately HK$48.4 million for the period under review.

Waste treatment and waste to energy business

During the period under review, the Group's revenue from its waste treatment and waste-to-energy business reached approximately HK$22.7 million, representing increase of approximately 46.5%, as compared to last year.

For the year under review, its gross profit margin is approximately 12.7%.

Administrative expenses

The Group's administrative expenses of the continuing operations decreased by approximately 5.6% to approximately HK$32.1 million during the period under review.

Finance costs

Finance costs, for the Group's continuing operations, increased by approximately 57.8% to approximately HK$36.3 million, as compared to the same period last year. This increase is mainly attributable to the increase in the interest on borrowings and convertible bonds.

Financial position

As at 30 June 2013, the Group had total assets amounting to approximately HK$1,874.3 million, with approximately HK$18.7 million of net assets attributable to equity shareholders of the Company. The net gearing ratio, which is calculated on the basis of total borrowings (net of cash and bank balances) over the Group's total shareholders' equity, was approximately 0.05 as at 31 December 2012. Net gearing ratio has not been calculated as at 30 June 2013 as cash and cash equivalent exceeded borrowings as at 30 June 2013. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from approximately 1.08 as at 31 December 2012 to approximately 1.00 as at 30 June 2013.

In order to maximise the shareholders' return and the market capitalisation, the Group has internal policies in place so as to maintain its gearing ratio at a reasonable and acceptable level and to ensure the debt-to-total investment ratio for each project shall not be more than 60%. The Group has adopted a capital preservation policy for managing the funds raised but has not been utilised.

Financial resources

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 30 June 2013, the Group had cash and bank balances of approximately HK$961.7 million, representing an increase of approximately HK$698.5 million as compared to approximately HK$263.2 million at the end of 2012. The increase was mainly due to the proceeds received from rights issue and the new borrowings raised during the period under review. Currently, most of the Group's cash is denominated in HK dollars and RMB.

Borrowings

As at 30 June 2013, the Group had outstanding borrowings of approximately HK$753.6 million, representing an increase of approximately HK$487.1 million as compared to approximately HK$266.5 million at the end of 2012. The borrowings comprised secured loans of approximately HK$599.8 million and unsecured loans of approximately HK$153.8 million. The borrowings are denominated in HK dollars and RMB. Approximately 37.4% and 62.6% of the borrowings are at fixed rate and variable rate.

Foreign exchange exposure

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. During the period, 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 30 June 2013, the Group has no asset pledged.

Capital commitment

As at 30 June 2013, the Group had capital commitment of approximately HK$339.2 million in respect of the construction work under service concession arrangements, which were contracted but not provided for in the condensed consolidated financial statements.

Contingent liabilities

As at 30 June 2013, the Group provide guarantees of approximately HK$23.3 million to a bank in respect of banking facilities granted to an associate.

Employment information

As at 30 June 2013, the Group had about 160 employees in total, stationed mainly in the PRC, Hong Kong and Europe and the total staff cost (including directors' remuneration) was approximately HK$15.0 million for the six months ended 30 June 2013. 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.

Interim dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

C. STATEMENT OF INDEBTEDNESS

The Group

As at 30 September 2013, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding (i) convertible notes of approximately HK$13.7 million with principal amount of approximately HK$16 million, (ii) convertible bonds of approximately HK$81.8 million with principal amount of approximately HK$100 million, and (iii) bank and other borrowings of approximately HK$734.8 million (of which HK$123.7 million was unsecured, HK$39.9 million was secured by a fixed bank deposit held by a wholly-owned subsidiary, HK$71.0 million was secured by a corporate guarantee of a non-controlling shareholder of a subsidiary, HK$378.0 million was secured by a corporate guarantee of a wholly-owned subsidiary and HK$122.2 million was secured by the entire equity interest of a subsidiary held by the Group).

Save as disclosed in this section of this circular and the contingent liabilities in respect of guarantees provided to a bank in respect of banking facilities granted to an associate of approximately HK$23.3 million, as of 30 September 2013, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Target Company

As at 30 September 2013, being the latest practicable date for the purpose of ascertaining the indebtedness of the Target Company prior to the printing of this circular, the Target Company had outstanding amount due to a shareholder and bank borrowings of approximately RMB1 million (equivalent to approximately HK$1.3 million) and RMB118 million (equivalent to approximately HK$148.7 million) respectively, which was secured by personal guarantees of the directors of the Target Company and corporate guarantees of related companies of the Target Company. As at 30 September 2013, the capital commitment in respect of property, plant and equipment contracted but not provided for amounted to approximately RMB2.6 million.

Save as disclosed, the Target Company did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

D. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital (after taking into account the effect of the Acquisition) to satisfy its requirements for at least the next twelve months from the date of publication of this circular.

E. MATERIAL CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

F. BUSINESS OUTLOOK AND PROSPECTS OF THE ENLARGED GROUP

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the audited revenue and gross loss of the Group for the year ended 31 December 2012 was approximately HK$17.6 million and HK$0.5 million respectively, and the unaudited pro forma revenue and gross profit of the Enlarged Group will be approximately HK$50.2 million and HK$14.5 million, respectively after Completion.

Currently, the Group has eight projects which are engaged in municipal waste treatment, while the Target Company is engaged in recycling and dismantling of waste electrical and electronic equipment. The Directors are of the view that the Acquisition will expand the Group's scope of business, improve its operating results, and accelerate its development in the electronic waste and scarped car disposal and other new areas of solid waste treatment, thereby further cementing the Group's leading position in the solid waste treatment sector. In the future, the Target Company will further expand its scale, optimise dismantling equipment and technologies, and extend the deep-processing industry chain of dismantled parts to increase value addition, striving to become a benchmark in the field of electronic waste and scrapped car disposal.

Looking forward, the Directors believes that the Target Company is in a supported industry of national policies, with huge market potentials and development prospects, and it has certain degree of regional monopoly, which can entail high return on investment. Therefore, the Acquisition is expected to increase income sources of the Group and will have positive impact on the future operating results of the Group.

In view of the benefits of the proposed Acquisition, the Directors believe that the proposed Acquisition is in the interest of the Company and its Shareholders as a whole.

On 9 August 2013, Capital Solid Green Energy Investment Limited (a wholly-owned subsidiary of the Company), Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd. entered into an acquisition agreement. Pursuant to the acquisition agreement, Capital Solid Green Energy Investment Limited has conditionally agreed to acquire, and Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd. have conditionally agreed to sell approximately 97.85% interest in 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) at a consideration of RMB20 million (equivalent to approximately HK$25.2 million). Apart from the payment of the aforesaid consideration, Capital Solid Green Energy Investment Limited has agreed to finance the repayment of certain liabilities. Based on the information provided by 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*), as at 31 March 2013, such liabilities amounted to approximately RMB197 million (equivalent to approximately HK$248.2 million). 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) was established in the PRC with registered capital of RMB245.6 million (equivalent to approximately HK$309.5 million) and is principally engaged in waste treatment and waste-to-energy generation project through operating a waste treatment plant, which is located in Gonglian Village, Huizhou City, Guangdong Province, the PRC. The Company intends to finance the aforesaid consideration (together with the repayment of the aforesaid liabilities) by the shareholder's loan from Beijing Capital HK (details of which were disclosed in the Company's announcement dated 16 October 2013 and circular dated 1 November 2013) and equity financing and/or debt financing. No variation to the remuneration payable to and benefits in kind receivable by the Directors and directors of 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) will be resulted from the aforesaid acquisition.

1. ACCOUNTANTS' REPORT ON THE TARGET COMPANY

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong.

GrantThornton
致同

25 November 2013

The Board of Directors
New Environmental Energy Holdings Limited
Unit 1613–1618, 16th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information of Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd. (the "Subei Dismantling"), which comprises the statements of financial position as at 31 December 2010, 2011 and 2012, and 31 August 2013, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period from 23 August 2010 (date of incorporation) to 31 December 2010, and each of the years ended 31 December 2011 and 2012, and the eight months ended 31 August 2013 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the circular of New Environmental Energy Holdings Limited (the "Company") dated 25 November 2013 (the "Circular") in connection with its proposed acquisition of 55% equity interest in Subei Dismantling (the "Acquisition").

Subei Dismantling was established as company with limited liability in the People's Republic of China (the "PRC") on 23 August 2010 under the Company Law of the PRC.

Subei Dismantling is principally engaged in disassembling, disposal and comprehensive recycle of waste and second-hand auto, household appliances, office supplies and electric & electronic products, as well as sale of scrap metal and waste.

The audited financial statements of Subei Dismantling have been prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory auditor of Subei Dismantling for each of the years ended 31 December 2011 and 2012 was 淮安國信會計師事務所有限公司.

For the purpose of this report, the directors of Subei Dismantling have prepared the financial statements of Subei Dismantling in accordance with the Hong Kong Financial Reporting Standards (the "HKFRS") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Periods ("the Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. The accompanying Financial Information has been prepared based on the Underlying Financial Statements and in accordance with HKFRS.

For the purpose of this report, we have examined the Financial Information, and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

DIRECTORS' RESPONSIBILITY

The directors of Subei Dismantling are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRS, and for such internal control as the directors of Subei Dismantling determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion to you.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Subei Dismantling as at 31 December 2010, 2011 and 2012, and 31 August 2013, and of Subei Dismantling's results and cash flows for the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

The directors of Subei Dismantling are responsible for the preparation of the unaudited comparative financial information including the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the eight months ended 31 August 2012 and other explanatory notes (the "Comparative Financial Information") in accordance with the same basis adopted in respect of the Financial Information and the HKFRS.

We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquires, 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 on Comparative Financial Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information and the HKFRS.

(A) FINANCIAL INFORMATION

Statements of comprehensive income

	Notes	Period from 23 August 2010 (date of incorporation) to 31 December 2010 RMB	Year ended 31 December 2011 RMB	Year ended 31 December 2012 RMB	Eight months ended 31 August 2012 RMB (Unaudited)	Eight months ended 31 August 2013 RMB
Revenue	6	—	—	25,837,746	—	109,726,576
Cost of sales		—	—	(13,940,231)	—	(72,837,640)
Gross profit		—	—	11,897,515	—	36,888,936
Other income	7	433	894,688	3,951,170	2,772,767	2,371,896
Selling and distribution expenses		(33,860)	(32,253)	(121,856)	(105,120)	—
Administrative expenses		(576,371)	(2,558,262)	(5,867,194)	(3,099,112)	(4,851,429)
Written off on amount due from a related company		—	—	(98,870,000)	—	—
Finance costs	8	—	(4,093,303)	(5,380,261)	(3,295,074)	(4,101,950)
(Loss)/profit before income tax expense	9	(609,798)	(5,789,130)	(94,390,626)	(3,726,539)	30,307,453
Income tax expense	12	—	(1,382,247)	(9,529,401)	—	(7,988,048)
(Loss)/profit and total comprehensive income for the period/year		(609,798)	(7,171,377)	(103,920,027)	(3,726,539)	22,319,405

Statements of financial position

		As at 31 December			As at 31 August
		2010	**2011**	**2012**	**2013**
	Notes	*RMB*	*RMB*	*RMB*	*RMB*
Non-current assets					
Property, plant and equipment	13	1,554,528	18,853,770	32,340,580	34,834,556
Prepaid land lease payments	14	—	9,216,355	45,737,751	45,105,588
		1,554,528	28,070,125	78,078,331	79,940,144
Current assets					
Inventories	15	73,949	553,654	9,355,271	15,221,917
Trade and other receivables	16	3,571,412	10,655,847	21,382,711	94,807,457
Amount due from a shareholder	17	—	100,000	100,000	100,000
Amounts due from related companies	17	94,000,000	235,989,397	120,890,000	123,365,734
Prepaid land lease payments	14	—	188,089	948,244	948,244
Cash and cash equivalents	18	950,261	8,315,423	10,018,502	26,639,825
		98,595,622	255,802,410	162,694,728	261,083,177
Current liabilities					
Trade and other payables	19	759,948	1,411,463	5,731,851	14,258,071
Amount due to a related company	17	—	1,160,000	—	—
Amount due to a shareholder	17	—	—	—	1,000,000
Deferred government grants	21	—	2,400,000	3,125,118	3,125,118
Income tax payables		—	1,382,247	10,911,648	18,899,696
Bank borrowings, secured	20	—	40,000,000	55,000,000	137,500,000
		759,948	46,353,710	74,768,617	174,782,885
Net current assets		97,835,674	209,448,700	87,926,111	86,300,292
Total assets less current liabilities		99,390,202	237,518,825	166,004,442	166,240,436

		As at 31 December			As at 31 August
		2010	2011	2012	2013
	Notes	*RMB*	*RMB*	*RMB*	*RMB*
Non-current liabilities					
Bank borrowings, secured	20	—	20,000,000	20,000,000	—
Deferred government grants	21	—	9,300,000	41,705,644	39,622,233
		—	29,300,000	61,705,644	39,622,233
Net assets		99,390,202	208,218,825	104,298,798	126,618,203
EQUITY					
Paid in capital	22	100,000,000	216,000,000	216,000,000	216,000,000
Reserves		(609,798)	(7,781,175)	(111,701,202)	(89,381,797)
Total equity		99,390,202	208,218,825	104,298,798	126,618,203

Statements of Changes in Equity

	Paid-in Capital *RMB*	**(Accumulated losses)/Retained profits** *RMB*	**Total** *RMB*
Issuance of share upon incorporation	100,000,000	—	100,000,000
Loss and total comprehensive income for the period	—	(609,798)	(609,798)
At 31 December 2010 and 1 January 2011	100,000,000	(609,798)	99,390,202
Capital injection for the year	116,000,000	—	116,000,000
Loss and total comprehensive income for the year	—	(7,171,377)	(7,171,377)
At 31 December 2011 and 1 January 2012	216,000,000	(7,781,175)	208,218,825
Loss and total comprehensive income for the year	—	(103,920,027)	(103,920,027)
At 31 December 2012 and 1 January 2013	216,000,000	(111,701,202)	104,298,798
Profit and total comprehensive income for the period	—	22,319,405	22,319,405
At 31 August 2013	216,000,000	(89,381,797)	126,618,203
At 1 January 2012	216,000,000	(7,781,175)	208,218,825
Loss and total comprehensive income for the period	—	(3,726,539)	(3,726,539)
At 31 August 2012 (Unaudited)	216,000,000	(11,507,714)	204,492,286

Statements of cash flows

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Cash flows from operating activities					
(Loss)/profit before income tax expense	(609,798)	(5,789,130)	(94,390,626)	(3,726,539)	30,307,453
Adjustments for:					
Amortisation of prepaid land lease payments	—	—	726,207	185,549	632,163
Depreciation of property, plant and equipment	12,954	334,800	703,460	409,477	1,618,787
Written off on amount due from a related company	—	—	98,870,000	—	—
Amortisation of deferred government grants	—	(300,000)	(3,125,118)	(2,083,411)	(2,083,411)
Interest income	(433)	(136,072)	(523,233)	(501,800)	(6,083)
Interest expense	—	4,093,303	5,380,261	3,295,074	4,101,950
Operating (loss)/profit before working capital changes	(597,277)	(1,797,099)	7,640,951	(2,421,650)	34,570,859
(Increase)/Decrease in inventories	(73,949)	(479,705)	(8,801,617)	65,884	(5,866,646)
Increase in trade and other receivables	(3,571,412)	(7,084,435)	(10,726,864)	(103,652,548)	(73,424,746)
(Increase)/Decrease in current accounts with shareholders	—	(100,000)	—	—	1,000,000
(Increase)/Decrease in amounts due from related companies	(94,000,000)	(141,989,397)	16,229,397	108,229,397	(2,475,734)
Increase in trade and other payables	759,948	651,515	4,320,388	807,993	8,526,220
Increase/(Decrease) in amount due to a related company	—	1,160,000	(1,160,000)	(1,160,000)	—
Net cash (used in)/ generated from operating activities	(97,482,690)	(149,639,121)	7,502,255	1,869,076	(37,670,047)

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,567,482)	(17,634,042)	(14,190,270)	(8,960,876)	(4,112,763)
Purchase of prepaid land lease payments	—	(9,404,444)	(38,007,758)	(9,029,478)	—
Government grants received	—	12,000,000	36,255,880	7,277,600	—
Interest received	433	136,072	523,233	501,800	6,083
Net cash used in investing activities	(1,567,049)	(14,902,414)	(15,418,915)	(10,210,954)	(4,106,680)
Cash flows from financing activities					
Proceeds from paid in capital	100,000,000	—	—	—	—
Further capital injection	—	116,000,000	—	—	—
Proceeds from bank borrowings	—	60,000,000	110,000,000	65,000,000	202,500,000
Repayment of bank borrowings	—	—	(95,000,000)	(60,000,000)	(140,000,000)
Interest paid	—	(4,093,303)	(5,380,261)	(3,295,074)	(4,101,950)
Net cash generated from financing activities	100,000,000	171,906,697	9,619,739	1,704,926	58,398,050
Net increase/(decrease) in cash and cash equivalents	950,261	7,365,162	1,703,079	(6,636,952)	16,621,323
Cash and cash equivalent at beginning of the period/year	—	950,261	8,315,423	8,315,423	10,018,502
Cash and cash equivalent at end of the period/year	950,261	8,315,423	10,018,502	1,678,471	26,639,825

(B) NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd. ("Subei Dismantling") was incorporated in the People's Republic of China (the "PRC") with limited liability. The registered office is located in South of Songchao Road, West of Fanxiuqu Road, East of Xian Road, North of Tonghai Ave., Inside Industrial Park, Huaian City, Jiangsu Province, China.

The principal activities of the Subei Dismantling are disassembling, disposal and comprehensive recycle of waste and second-hand auto, household appliances, office supplies and electric & electronic products, as well as sale of scrap metal and waste.

The Financial Information is presented in Renminbi ("RMB"), unless otherwise stated, which is also the functional currency of Subei Dismantling.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") and the Hong Kong Companies Ordinance. These policies have been consistently applied throughout the Relevant Period. The Financial Information have been prepared under the historical cost convention.

For the purpose of preparing the Financial Information, Subei Dismantling has applied for the first time the new and revised standards, amendments and interpretations (the "new HKFRS") issued by the HKICPA, which are relevant to and effective for Subei Dismantling's financial statements for all the years/periods presented.

The adoption of the new HKFRS had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold buildings	50 years
Plants and machinery	3 to 10 years
Office equipment	5 years
Motor vehicles	4 years

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Cost on completed construction works are transferred to the appropriate asset category. No depreciation is charged on respect of construction in progress until it is completed and available for use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(b) Lease

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Subei Dismantling as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Subei Dismantling as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Prepaid land lease payments

Prepaid land lease payments represent land use rights under operating lease arrangement and are stated at cost less accumulated amortisation and accumulated impairment losses.

(c) Financial assets

Subei Dismantling's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a shareholder, amounts due from related companies and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— breach of contracts, such as default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— disappearance for an active market for that financial asset because of financial difficulties.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Subei Dismantling derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(f) Cash and cash equivalents

In the statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(g) Financial liabilities

Financial liabilities including trade and other payables, amount due to a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method. Bank borrowings are classified as current liabilities unless Subei Dismantling has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Provisions

Provisions are recognised when Subei Dismantling has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of Subei Dismantling are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(i) Paid-in capital

Paid in capital is classified as equity. It is determined using the proceeds from capital contributions made by the investors.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the Subei Dismantling has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Subei Dismantling retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Subei Dismantling; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the Government relating to dismantling services on the waste and second-hand auto, household appliances, office supplies and electric & electronic products are recognised when the services rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Subei Dismantling and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(k) Government subsidies

Government subsidies are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and Subei Dismantling will comply with all attached conditions. Government subsidies are deferred and recognised in the profit or loss over the period necessary to match them with the costs that the subsidies are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight line basis over the expected lives of the related assets. Other non assets related government subsidies are presented under "Other income" in the statement of comprehensive income.

Government subsidies relating to dismantling services are presented under "Revenue" in the statement of comprehensive income.

(l) Impairment losses on tangible assets

At the end of the reporting period, Subei Dismantling reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Subei Dismantling estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

(m) Retirement benefit costs

Payments to the defined contributions retirement benefit plans are recognised as expense when employees have rendered service entitling them to the contributions.

(n) Accounting for income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Subei Dismantling's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Subei Dismantling expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(o) Related parties

A party is considered to be related to Subei Dismantling if:

(a) the party, is a person or a close member of that person's family and that person,

(i) has control or joint control over Subei Dismantling;

(ii) has significant influence over Subei Dismantling; or

(iii) is a member of the key management personnel of Subei Dismantling or of a parent of Subei Dismantling; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and Subei Dismantling are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and Subei Dismantling are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the Subei Dismantling;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. ADOPTION OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

At the date of issue of this Financial Information, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by Subei Dismantling.

HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 — Financial Instruments

Under HKFRS 9, all recognised financial assets that are within the scope of the HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically under HKFRS 9, for all financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Subei Dismantling has not early applied the other new and revised standards, amendments or interpretations relevant to Subei Dismantling's operations that have been issued but are not yet effective.

The directors of Subei Dismantling anticipate that the application of other new and revised standards, amendments and interpretations in issue but not yet effective will have no material impact on the results and the financial position of Subei Dismantling.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Subei Dismantling makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Provision for impairment of trade receivables

The provisioning policy for trade receivables of Subei Dismantling is based on the evaluation of the collectability of those receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and the realisation of any repayment pattern promised. If the financial conditions of these customers were to deteriorate, additional provision may be required.

(ii) Income taxes

Subei Dismantling is subject to income taxes in jurisdictions in which Subei Dismantling operates. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Subei Dismantling recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year/period in which such determination is made.

(iii) Impairment of long lived assets

If circumstances indicate that the net book value of a long lived asset may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of long lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Subei Dismantling's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. Subei Dismantling uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

(iv) Depreciation of property, plant and equipment

Subei Dismantling depreciates its property, plant and equipment in accordance with the accounting policy stated in Note 3(a). The estimated useful lives reflect Subei Dismantling's estimates of the period that Subei Dismantling will derive future economic benefits from the use of the Subei Dismantling's property, plant and equipment. Subei Dismantling reassesses the estimated useful lives at each reporting date.

(v) Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of Subei Dismantling is based on the evaluation by management of the collectability of the deposits, prepayment and other receivables (note 16). A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each related company. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance will be required.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration received and receivable for goods sold, net of discounts, returns and related sales taxes and the government subsidies income from dismantling electric & electronic appliance.

	Period from 23 August 2010 (date of incorporation) to 31 December	Year ended		Eight months ended 31 August	
		31 December	31 December		
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Sales of scrap metal and waste	—	—	6,877,286	—	37,350,041
Government subsidy income for dismantling services	—	—	18,960,460	—	72,376,535
	—	—	25,837,746	—	109,726,576

Subei Dismantling identifies operating segments and prepares segment information based on the regular internal financial information reported to Subei Dismantling's senior management and directors for their decisions about resources allocation to the business components and for their review of the performance of those components. Based on the internal reports reviewed by the senior management and directors of Subei Dismantling that are used to make strategic decision, the only operating segment of Subei Dismantling is disassembling, disposal and comprehensive recycle of waste and second-hand auto, household appliances, office supplies and electric & electronic products, as well as sale of scrap metal and waste. No separate analysis of the reportable segment profit/loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Geographic information

Subei Dismantling's operations are principally located in the PRC (country of domicile) where its revenue from external customers derived from and non-current assets located.

Information about major customers

During the years ended 31 December 2010, 2011 and 2012 and the eight months ended 31 August 2013, nil, nil, 1 and 4 customers accounted for more than 10% of the total revenue of Subei Dismantling, amounting to nil, nil, RMB18,960,460 and RMB25,245,379 respectively.

7. OTHER INCOME

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	Eight months ended 31 August 2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Bank interest income	433	136,072	523,233	501,800	6,083
Rental income	—	420,000	199,000	99,000	150,000
Amortisation of deferred government grant	—	300,000	3,125,118	2,083,411	2,083,411
Gain on disposal of scrap materials	—	—	84,106	72,018	9,376
Sundry income	—	38,616	19,713	16,538	123,026
	433	894,688	3,951,170	2,772,767	2,371,896

8. FINANCE COSTS

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	Eight months ended 31 August 2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Interest on bank borrowings wholly repayable within 5 years	—	4,093,303	5,380,261	3,295,074	4,101,950

9. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/Profit before income tax expense is arrived at after charging:

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	Eight months ended 31 August 2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Cost of inventories recognised as expense	—	—	13,163,096	—	65,967,721
Depreciation of property, plant and equipments	12,954	334,800	703,460	409,477	1,618,787
Amortisation of prepaid land lease payments	—	—	726,207	185,549	632,163
Operating lease rentals in respect of office premises	—	—	45,000	—	—

10. EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	Eight months ended 31 August 2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Salaries and other benefits	36,707	577,307	1,883,063	581,360	3,823,661
Retirement benefit scheme contribution	915	42,569	103,861	62,654	148,957
	37,622	619,876	1,986,924	644,014	3,972,618

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' emoluments

	Directors' fees	Salaries and allowances	Benefit-in-kind	Contributions to defined contribution plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 31 December 2010					
Executive director:					
Mr. CHEN Yaowu	—	—	—	—	—
Supervisor:					
Mr. ZHANG Yudao	—	—	—	—	—
	—	—	—	—	—
Year ended 31 December 2011					
Executive director:					
Mr. CHEN Yaowu	—	—	—	—	—
Supervisor:					
Mr. ZHANG Yudao	—	—	—	—	—
	—	—	—	—	—
Year ended 31 December 2012					
Executive director:					
Mr. CHEN Yaowu	—	—	—	—	—
Supervisor:					
Mr. ZHANG Yudao	—	—	—	—	—
	—	—	—	—	—
Eight months ended 31 August 2012 (Unaudited)					
Executive director:					
Mr. CHEN Yaowu	—	—	—	—	—
Supervisor:					
Mr. ZHANG Yudao	—	—	—	—	—
	—	—	—	—	—
Eight months ended 31 August 2013					
Executive director:					
Mr. CHEN Yaowu	—	—	—	—	—
Supervisor:					
Mr. ZHANG Yudao	—	—	—	—	—
	—	—	—	—	—

There were no arrangements under which a director or supervisor waived or agreed to waive any emoluments during the Relevant Periods.

No emolument has been paid or is payable to the director and supervisor by Subei Dismantling during the Relevant Periods.

11.2 Five highest paid individuals

The emoluments of the five highest paid individuals in Subei Dismantling during the Relevant Periods are as follows:

	Period from 23 August 2010 (date of incorporation) to 31 December	**Year ended**		**Eight months ended 31 August**	
		31 December	**31 December**		
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Salaries and other benefits	32,435	143,715	230,594	168,800	168,800
Retirement benefit scheme contribution	808	28,755	29,658	13,760	20,160
	33,243	172,470	260,252	182,560	188,960

Their emoluments were within the following bands:

	No. of individuals				
	Period from 23 August 2010 (date of incorporation) to 31 December	**Year ended**		**Eight months ended 31 August**	
		31 December	**31 December**		
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Nil to HK$1,000,000	5	5	5	5	5

12. INCOME TAX EXPENSE

The amount of taxation charged to the profit or loss represents:

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	Eight months ended 31 August 2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Current tax					
PRC enterprise income tax	—	1,382,247	9,529,401	—	7,988,048

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	Period from 23 August 2010 (date of incorporation) to 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Eight months ended 31 August 2012	Eight months ended 31 August 2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
(Loss)/Profit before income tax expense	(609,798)	(5,789,130)	(94,390,626)	(3,726,539)	30,307,453
Tax at the PRC enterprise income tax rate of 25%	(152,450)	(1,447,283)	(23,597,657)	(931,635)	7,576,863
Tax effect of non-deductible expenses	12,955	44,192	24,820,667	83,316	42,925
Tax effect of temporary difference not recognised	107,209	2,901,609	8,363,740	848,319	368,260
Others	32,286	(116,271)	(57,349)	—	—
Income tax expense	—	1,382,247	9,529,401	—	7,988,048

No deferred tax asset was recognised on the deductible temporary difference of approximately Nil, RMB11.7 million, RMB33.0 million and RMB1.5 million at 31 December 2010, 31 December 2011, 31 December 2012 and 31 August 2013 respectively, due to unpredictability of future profit stream.

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB*	Leasehold buildings *RMB*	Plant and machinery *RMB*	Office equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
Period ended 31 December 2010						
Additions	250,000	662,080	162,247	25,007	468,148	1,567,482
Depreciation for the period	—	—	(3,365)	(129)	(9,460)	(12,954)
Closing net book amount	250,000	662,080	158,882	24,878	458,688	1,554,528
At 31 December 2010						
Cost	250,000	662,080	162,247	25,007	468,148	1,567,482
Accumulated depreciation	—	—	(3,365)	(129)	(9,460)	(12,954)
Net book amount	250,000	662,080	158,882	24,878	458,688	1,554,528
Year ended 31 December 2011						
Opening net book amount	250,000	662,080	158,882	24,878	458,688	1,554,528
Additions	14,742,610	1,659,613	377,910	364,034	489,875	17,634,042
Transfer	(81,944)	81,944	—	—	—	—
Depreciation for the year	—	(83,106)	(60,041)	(13,066)	(178,587)	(334,800)
Closing net book amount	14,910,666	2,320,531	476,751	375,846	769,976	18,853,770
At 31 December 2011						
Cost	14,910,666	2,403,637	540,157	389,041	958,023	19,201,524
Accumulated depreciation	—	(83,106)	(63,406)	(13,195)	(188,047)	(347,754)
Net book amount	14,910,666	2,320,531	476,751	375,846	769,976	18,853,770
Year ended 31 December 2012						
Opening net book amount	14,910,666	2,320,531	476,751	375,846	769,976	18,853,770
Additions	10,116,437	—	3,190,721	367,146	515,966	14,190,270
Transfer	(21,177,944)	21,177,944	—	—	—	—
Depreciation for the year	—	(120,444)	(188,551)	(110,632)	(283,833)	(703,460)
Closing net book amount	3,849,159	23,378,031	3,478,921	632,360	1,002,109	32,340,580
At 31 December 2012						
Cost	3,849,159	23,581,581	3,730,878	756,187	1,473,989	33,391,794
Accumulated depreciation	—	(203,550)	(251,957)	(123,827)	(471,880)	(1,051,214)
Net book amount	3,849,159	23,378,031	3,478,921	632,360	1,002,109	32,340,580
Period ended 31 August 2013						
Opening net book amount	3,849,159	23,378,031	3,478,921	632,360	1,002,109	32,340,580
Additions	2,271,379	—	1,605,361	12,076	223,947	4,112,763
Transfer	(4,452,762)	4,452,762	—	—	—	—
Depreciation for the period	—	(870,452)	(385,114)	(98,379)	(264,842)	(1,618,787)
Closing net book amount	1,667,776	26,960,341	4,699,168	546,057	961,214	34,834,556
At 31 August 2013						
Cost	1,667,776	28,034,343	5,336,239	768,263	1,697,936	37,504,557
Accumulated depreciation	—	(1,074,002)	(637,071)	(222,206)	(736,722)	(2,670,001)
Net book amount	1,667,776	26,960,341	4,699,168	546,057	961,214	34,834,556

All property, plant and equipment owned by Subei Dismantling are located in the PRC. Buildings are situated on leasehold land with lease term of 50 years in the PRC.

14. PREPAID LAND LEASE PAYMENTS

Subei Dismantling's interests in land use rights represent prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Opening net carrying amount	—	—	9,404,444	46,685,995
Additions	—	9,404,444	38,007,758	—
Amortisation	—	—	(726,207)	(632,163)
Closing net carrying amount	—	9,404,444	46,685,995	46,053,832
Analysed for reporting purposes as:				
Current assets	—	188,089	948,244	948,244
Non-current assets	—	9,216,355	45,737,751	45,105,588
	—	9,404,444	46,685,995	46,053,832

The amount represents operating leasehold land located in the PRC with medium-term lease.

At 31 December 2012 and 31 August 2013, prepaid land lease payments with net book amounts of approximately RMB37,500,988 and RMB36,994,218 respectively have been pledged to secure banking facilities and independent corporate guarantee granted to Subei Dismantling.

15. INVENTORIES

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Raw materials	73,949	553,654	4,945,879	7,383,797
Finished goods	—	—	4,409,392	7,838,120
	73,949	553,654	9,355,271	15,221,917

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Trade receivables				
Government subsidy receivables	—	—	18,960,460	91,336,995
Other receivables				
Deposits and prepayments	3,334,384	10,552,567	1,846,775	2,788,838
Other receivables	237,028	103,280	575,476	681,624
	3,571,412	10,655,847	2,422,251	3,470,462
	3,571,412	10,655,847	21,382,711	94,807,457

The directors considered the credit period of the trade receivable is in the range of 180 to 360 days. The following is an aged analysis of the trade receivables, net of allowance for doubtful debts, based on invoice dates at the end of each reporting dates:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
0–60 days	—	—	13,568,966	20,712,425
61–90 days	—	—	3,375,652	8,923,950
Over 90 days	—	—	2,015,842	61,700,620
	—	—	18,960,460	91,336,995

The directors of Subei Dismantling consider that the fair values of other receivables and which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The provision for doubtful debts is in respect of deposits, prepayments and other receivables that were individually determined to be impaired. The management assessed that the amounts will not be recoverable.

17. AMOUNTS DUE FROM/TO SHAREHOLDERS/RELATED COMPANIES/A RELATED COMPANY

The amounts due are unsecured, interest-free and repayable on demand. Mr. Chen Yaowu and Mr. Zhang Yudao, the director and supervisor, respectively, of Subei Dismantling have beneficial interests in these related companies. As at 31 August 2013, Mr. Chen Yaowu and Mr. Zhang Yudao, the director and supervisor, respectively, (also the shareholders) of Subei Dismantling undertake to indemnify all losses which might be arising from the amounts due from related companies.

The impairment of amounts due from related companies were as follows:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Amounts due from related companies	94,000,000	235,989,397	219,760,000	123,365,734
Less: Amount written off	—	—	(98,870,000)	—
	94,000,000	235,989,397	120,890,000	123,365,734

Details disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Year ended 31 December 2010

Name of company	Beneficial interests	Maximum amount outstanding during the period	Balance at 31 December 2010	Balance at 23 August 2010 (date of incorporation)
		RMB	*RMB*	*RMB*
淮安市財發擔保有限公司	Mr. Chen Yaowu, Mr. Zhang Yudao	94,000,000	94,000,000	—

Year ended 31 December 2011

Name of company	Beneficial interests	Maximum amount outstanding during the year	Balance at 31 December 2011	Balance at 1 January 2011
		RMB	*RMB*	*RMB*
淮安市財發擔保有限公司	Mr. Chen Yaowu, Mr. Zhang Yudao	235,989,397	235,989,397	94,000,000

Year ended 31 December 2012

Name of company	Beneficial interests	Maximum amount outstanding during the year	Balance at 31 December 2012	Balance at 1 January 2012
		RMB	*RMB*	*RMB*
淮安市財發擔保有限公司	Mr. Chen Yaowu, Mr. Zhang Yudao	235,989,397	39,050,000	235,989,397
淮安市惠民回收再生利用有限公司	Mr. Chen Yaowu	25,800,000	25,800,000	—
淮安市盛泰商貿有限公司	Mr. Zhang Yudao	56,040,000	56,040,000	—

Period ended 31 August 2013

Name of company	Beneficial interests	Maximum amount outstanding during the period	Balance at 31 August 2013	Balance at 1 January 2013
		RMB	*RMB*	*RMB*
淮安市財發擔保有限公司	Mr. Chen Yaowu, Mr. Zhang Yudao	47,250,000	44,150,000	39,050,000
淮安市惠民回收再生利用有限公司	Mr. Chen Yaowu	61,067,515	37,067,515	25,800,000
淮安市盛泰商貿有限公司	Mr. Zhang Yudao	66,040,000	42,148,219	56,040,000

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Cash at banks and in hand	950,261	8,315,423	10,018,502	26,639,825

Cash at banks earned interest at floating rates based on daily bank deposits rate. As at 31 December 2010, 2011, 2012, and 31 August 2013, the carrying amounts of cash and cash equivalents are approximated their fair values.

The Subei Dismantling's RMB balances are placed with banks in the PRC. RMB is not a freely convertible currency. The conversion of these RMB denominated balances into foreign currencies in the PRC is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

19. TRADE AND OTHER PAYABLES

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Trade payables				
From third parties	208,580	287,547	384,560	10,757,577
Other payables				
Deposits received from customers	500,000	1,000,000	2,425,412	1,858,650
Accruals and other payables	31,028	9,430	1,774,576	842,075
Accrued staff salaries and benefits	20,340	53,995	533,208	704,173
Other taxes payables	—	60,491	614,095	95,596
	551,368	1,123,916	5,347,291	3,500,494
	759,948	1,411,463	5,731,851	14,258,071

All amounts are short term and hence the carrying values of the trade and other payables are considered to be a reasonable approximation of fair value.

Subei Dismantling was granted by its suppliers or service providers credit periods ranging from 0 to 30 days. Based on the invoice dates, the ageing analysis of the accounts payables were as follows:

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
0–30 days	208,580	287,547	384,560	5,074,997
31–60 days	—	—	—	4,760,180
61–90 days	—	—	—	475,536
Over 90 days	—	—	—	446,864
	208,580	287,547	384,560	10,757,577

20. BANK BORROWINGS, SECURED

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Bank borrowings, secured	—	60,000,000	75,000,000	137,500,000

At 31 December 2010, 2011 and 2012, and 31 August 2013, the borrowings of Subei Dismantling are repayable as follows:

	As at 31 December			As at 31 August 2013
	2010	**2011**	**2012**	
	RMB	*RMB*	*RMB*	*RMB*
On demand or within one year	—	40,000,000	55,000,000	137,500,000
More than one year, but not exceeding two years	—	—	20,000,000	—
More than two years, but not exceeding five years	—	20,000,000	—	—
	—	60,000,000	75,000,000	137,500,000
Less: borrowings that are repayable within one year shown under current liabilities	—	(40,000,000)	(55,000,000)	(137,500,000)
Amount shown under non-current liabilities	—	20,000,000	20,000,000	—

The amounts are based on the scheduled repayment dates set out in the loan agreements.

Fixed-rate borrowings of RMB60,000,000, RMB75,000,000 and RMB137,500,000, carried interest rates of ranging from 6.56% to 7.872%, from 7.2% to 8.856% and from 5.6% to 8.86% per annum at 31 December 2011 and 2012, and 31 August 2013 respectively.

These bank borrowings are severally guaranteed by the directors of Subei Dismantling, an independent third party and related companies, and are secured by Subei Dismantling's prepaid land lease payments of nil, nil, RMB37,500,988 and RMB12,166,839 (note 14) at 31 December 2010, 2011 and 2012, and 31 August 2013 respectively.

21. DEFERRED GOVERNMENT GRANTS

The government granted to the Group lump sum for the acquisition of property, plant and equipment, and prepaid land lease payments. These amounts were recognised as deferred government grants and were amortised to profit or loss over the estimated useful lives of the related property, plant and equipment, and prepaid land lease payments.

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Opening net carrying amount	—	—	11,700,000	44,830,762
Grants received	—	12,000,000	36,255,880	—
Transfer to statement of comprehensive income	—	(300,000)	(3,125,118)	(2,083,411)
Closing net carrying amount	—	11,700,000	44,830,762	42,747,351
Analysed for reporting purposes as:				
Current portion	—	2,400,000	3,125,118	3,125,118
Non-current portion	—	9,300,000	41,705,644	39,622,233
	—	11,700,000	44,830,762	42,747,351

22. PAID IN CAPITAL

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Registered and paid in capital:				
At establishment/beginning of year/period	100,000,000	100,000,000	216,000,000	216,000,000
Increase during the year	—	116,000,000	—	—
At end of year/period	100,000,000	216,000,000	216,000,000	216,000,000

23. OPERATING LEASE COMMITMENTS

Subei Dismantling leases its leasehold buildings (note 13) under operating lease arrangements which run for an initial period of one year, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Subei Dismantling and the respective tenants. No contingent rental income was recognised during the Relevant Periods.

As 31 December 2010, 2011 and 2012, and 31 August 2013, Subei Dismantling had contracted with tenants for the future aggregate minimum lease receipts within one year amounted to nil, nil, RMB201,000 and nil respectively.

24. CAPITAL COMMITMENT

At each reporting date, the Group had the following capital commitment:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Property, plant and equipment contracted but not provided for:	292,100	8,608,188	3,014,714	2,630,242

25. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial statements, details of the transactions between Subei Dismantling and its related parties are summarised below.

	Period from 23 August 2010 (date of incorporation) to 31 December	Year ended 31 December	Year ended 31 December	Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Guarantee charge to a related company, in which Mr. Chen Yaowu and Mr. Zhang Yudao have beneficial interests	—	—	—	—	200,000
Written off on amount due from a related company, in which Mr. Chen Yaowu and Mr. Zhang Yudao have beneficial interests	—	—	98,870,000	—	—

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

Subei Dismantling is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks mainly include market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk.

The risk management of Subei Dismantling is carried out by the executive director. Subei Dismantling actively and regularly reviews and manages its financial risk and takes actions to mitigate such risk. Subei Dismantling adopts conservative strategies on its risk management and seeks to limit Subei Dismantling's exposure to these risks to a minimum. The executive director decided the principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

Subei Dismantling has not used any derivatives and other instruments for hedging purposes. Subei Dismantling also did not hold or issue any derivative financial instruments for trading purposes.

There has been no change to the types of Subei Dismantling's exposure in respect of financial instruments or the manner in which it manages and measures the risks throughout the Relevant Periods.

26.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Financial assets				
Loans and receivables				
Trade and other receivables	237,028	103,280	19,535,936	92,018,619
Amount due from a shareholder	—	100,000	100,000	100,000
Amounts due from related companies	94,000,000	235,989,397	120,890,000	123,365,734
Cash and cash equivalents	950,261	8,315,423	10,018,502	26,639,825
	95,187,289	244,508,100	150,544,438	242,124,178
Financial liabilities measured at amortised cost				
Trade and other payables	259,948	350,972	2,692,344	12,303,825
Amount due to a related company	—	1,160,000	—	—
Amount due to a shareholder	—	—	—	1,000,000
Bank borrowings, secured	—	60,000,000	75,000,000	137,500,000
	259,948	61,510,972	77,692,344	150,803,825

26.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Subei Dismantling. Subei Dismantling has no significant concentrations of credit risk. Subei Dismantling's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

At 31 December 2010, 2011, 2012 and 31 August 2013, Subei Dismantling's maximum exposure to credit risk on recognised financial assets is limited to its carrying amount as summarised in note 26.1 above.

Subei Dismantling's cash and cash equivalents are deposited with the banks with high credit-ratings in the PRC. Hence, Subei Dismantling considers the credit risk to be insignificant.

26.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Subei Dismantling's interest rate risk arises primarily from bank balances and bank borrowings. Bank borrowings bearing variable rates and fixed rates expose bank borrowings to cash flow interest rate risk and fair value interest rate risk respectively.

Subei Dismantling mainly has exposed to interest rate risk at the reporting dates for its bank borrowings.

Based on the simulations performed, the impact on post-tax profit/loss for the year/period of a 50 basis-point shift would be a maximum decrease/increase of nil, RMB225,000, RMB281,250 and RMB515,625 for the period ended 31 December 2010, year ended 31 December 2011 and 2012 and eight months ended 31 August 2013 respectively.

The above analysis is based on a hypothetical situation, as in practice market interest rates rarely change in isolation, and should not be considered a projection of likely future profits or losses. The analysis assumes the following:

— changes in market interest rates affect the interest income and interest expenses of floating rate bank and other borrowings; and

— all other financial assets and liabilities are held constant.

26.4 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Subei Dismantling's businesses are located in PRC and all transactions are conducted in RMB. Majority of Subei Dismantling's assets and liabilities are denominated in RMB, as such, Subei Dismantling has no significant foreign currency risk as at 31 December 2010, 2011, 2012 and 31 August 2013.

26.5 Liquidity risk

Liquidity risk relates to the risk that Subei Dismantling will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Subei Dismantling is exposed to liquidity risk in respect of settlement of trade and other payables and bank borrowings, and also in respect of its cash flow management. Subei Dismantling's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and cash equivalents to meet its liquidity requirements in the short term.

The table below analyses Subei Dismantling's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 and 2 years	More than 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2010						
Financial liabilities at amortised cost						
Trade and other payables	N/A	259,948	—	—	259,948	259,948

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 and 2 years	More than 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2011						
Financial liabilities at amortised cost						
Trade and other payables		350,972	—	—	350,972	350,972
Amount due to a related company		1,160,000	—	—	1,160,000	1,160,000
Bank borrowings, secured	7.79%	42,908,179	1,626,240	20,044,555	64,578,974	60,000,000
		44,419,151	1,626,240	20,044,555	66,089,946	61,510,972

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 and 2 years	More than 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2012						
Financial liabilities at amortised cost						
Trade and other payables		2,692,344	—	—	2,692,344	2,692,344
Bank borrowings, secured	7.69%	60,011,966	20,044,555	—	80,056,521	75,000,000
		62,704,310	20,044,555	—	82,748,865	77,692,344

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 and 2 years	More than 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 August 2013						
Financial liabilities at amortised cost						
Trade and other payables		12,303,825	—	—	12,303,825	12,303,825
Amounts due to a shareholder		1,000,000	—	—	1,000,000	1,000,000
Bank borrowings, secured	6.48%	142,028,871	—	—	142,028,871	137,500,000
		155,332,696	—	—	155,332,696	150,803,825

27. CAPITAL MANAGEMENT

Subei Dismantling's capital management strategy is to maintain the net debt-to-equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Subei Dismantling include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure the Subei Dismantling has a reasonable level of capital to support its business.

Subei Dismantling relies on internal resources and interest-bearing borrowings to finance the capital expenditures, which is the same as prior years.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Subei Dismantling in respect of any period subsequent to 31 August 2013.

Yours faithfully,

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

Chan Tze Kit
Practising Certificate No.: P05707

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY

For the period from 23 August 2010 (being the date of incorporation) to 31 December 2010

Business review

The Target Company was established in August 2010 under the PRC law and had not been engaged in the waste treatment business for the period from 23 August 2010 (being the date of incorporation) to 31 December 2010.

Financial review

Results

The Target Company did not record any revenue for the period from 23 August 2010 to 31 December 2010. For the period from 23 August 2010 to 31 December 2010, the Target Company's net loss after tax was approximately RMB0.6 million (equivalent to approximately HK$0.8 million).

Financial resources, liquidity and gearing ratio

The Target Company finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2010, the Target Company had cash and bank balances of RMB1.0 million (equivalent to approximately HK$1.3 million). All of the Target Company's cash was denominated in RMB.

During the period from 23 August 2010 to 31 December 2010, the Target Company had a net cash inflow of approximately RMB1.0 million (equivalent to approximately HK$1.3 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 129.7, while the quick ratio (which excludes stocks from current assets) was 129.6. The net gearing ratio (i.e. total borrowings (net of cash and bank balances) divided by total shareholders' equity) has not been calculated as at 31 December 2010 as cash and bank balances exceed borrowing as at 31 December 2010.

As at 31 December 2010, the balance of prepayments was RMB3,334,384, of which RMB1,500,000 was related to prepaid land premiums, and the remaining RMB1,834,384 was related to prepayments for the acquisition of engineering equipment.

Foreign exchange exposure

During the period from 23 August 2010 to 31 December 2010, the business activities of the Target Company were mainly denominated in RMB. The Target Company did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Bank borrowings

As at 31 December 2010, the Target Company did not have any borrowings.

Contingent liabilities

As at 31 December 2010, the Target Company did not have any material contingent liabilities.

Commitments

As at 31 December 2010, the Target Company has capital commitment of approximately RMB0.3 million (equivalent to approximately HK$0.4 million) in respect of the acquisition of property, plant and equipment.

Employees

For the period from 23 August 2010 to 31 December 2010, the total staff costs, including directors' emoluments, amounted to approximately RMB38,000 (equivalent to approximately HK$48,000). Meanwhile, as at 31 December 2010, the Target Company had a total of 15 staff, who were mostly based in the PRC.

For the year ended 31 December 2011

Business review

The Target Company had commenced the construction of the waste treatment plant during the year ended 31 December 2011.

Financial review

Results

The Target Company did not record any revenue for the year ended 31 December 2011. For the year ended 31 December 2011, the Target Company's net loss after tax was approximately RMB7.2 million (equivalent to approximately HK$9.1 million), representing an increase of approximately 1,100% as compared with approximately RMB0.6 million (equivalent to approximately HK$0.8 million) in the previous period.

Finance costs of approximately RMB4.1 million (equivalent to approximately HK$5.2 million) was attributable to the new bank borrowings of RMB60.0 million (equivalent to approximately HK$75.6 million).

Financial resources, liquidity and gearing ratio

The Target Company financed its operations primarily with internally generated cash flow and bank loans. As at 31 December 2011, the Target Company had cash and bank balances of RMB8.3 million (equivalent to approximately HK$10.5 million), representing an increase of RMB7.3 million (equivalent to approximately HK$9.2 million) as compared to RMB1.0 million (equivalent to approximately HK$1.3 million) at the end of 2010. The increase was mainly due to the new borrowings raised during the year under review. All of the Target Company's cash was denominated in RMB.

During the year ended 31 December 2011, the Target Company had a net cash inflow of approximately RMB7.4 million (equivalent to approximately HK$9.3 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 5.5 as at 31 December 2011 (2010: 129.7), while the quick ratio (which excludes stocks from current assets) was 5.5 as at 31 December 2011 (2010: 129.6). The net gearing ratio (i.e. total borrowings (net of cash and bank balances) divided by total shareholders' equity) was 0.25 as at 31 December 2011.

As at 31 December 2011, the balance of prepayments was RMB10,552,567, of which RMB6,859,715 was related to prepaid land premiums, RMB3,450,873 was related to prepayments for the acquisition of engineering equipment, RMB140,130 was related to the prepayments for procurement of raw materials, and the remaining RMB101,849 was related to prepayments of fees in the process of engineering construction.

Foreign exchange exposure

During the year ended 31 December 2011, the business activities of the Target Company were mainly denominated in RMB. The Target Company did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Bank borrowings

As at 31 December 2011, the Target Company's total borrowings amounted to approximately RMB60.0 million (equivalent to approximately HK$75.6 million), which were guaranteed by the directors and the related companies of the Target Company. Part of the new bank borrowing raised during the year was advanced to related companies and the amounts were unsecured, interest-free and repayable on demand. As at 31 December 2011, the Target Company's borrowings were denominated in RMB and carried fixed interest rates ranging from 6.56% to 7.872% per annum. 66.7% of the borrowings were repayable within one year.

Contingent Liabilities

As at 31 December 2011, the Target Company did not have any material contingent liabilities.

Commitments

As at 31 December 2011, the Target Company had capital commitment of approximately RMB8.6 million (equivalent to approximately HK$10.8 million) in respect of the acquisition of property, plant and equipment.

Employees

For the year ended 31 December 2011, the total staff costs for the year, including directors' emoluments, amounted to RMB0.6 million (equivalent to approximately HK$0.8 million) (for the period from 23 August 2010 to 31 December 2010: RMB38,000 (equivalent to approximately HK$48,000)). Meanwhile, as at 31 December 2011, the Target Company had a total of 21 staff, who were mostly based in the PRC.

For the year ended 31 December 2012

Business review

Pursuant to the notice dated 11 July 2012 in relation to the first batch of qualified electric and electronic product waste treatment companies jointly issued by the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the Ministry of Environmental Protection of the PRC, the Target Company was granted the qualification to recycle and disassemble waste electrical and electronic equipment. It was also among the first batch of companies qualified to enjoy subsidies provided by the PRC government for the treatment of waste electric and electronic products.

Pursuant to the Administrative Measures, the Target Company is entitled to government subsidies for the treatment of certain waste electric and electronic products, namely television, refrigerator, washing machine, air-conditioner and micro-computer which are included in the first batch of Waste Electric and Electronic Products Treatment Catalog. The total number of electric and electronic product waste treated by the Target Company for the second half of 2012 was 220,005 sets of television.

The subsidy policies are summarised as below:

— Corporates can enjoy fund subsidies provided that they must obtain the qualification for the treatment of waste electric and electronic products as well as be included in the list of fund subsidies. The qualifications are granted by the environmental protection departments at the level of city divided into districts and the list of fund subsidies are jointly approved and issued by the National Development and Reform Commission, the Ministry of Environmental Protection, the Ministry of Industry and Information Technology and the Ministry of Finance.

— Subsidy per unit for television, refrigerator, washing machine, air-conditioner and micro-computer is RMB85, RMB80, RMB35, RMB35 and RMB85 respectively.

— According to the Circular Regarding Organisation and Implementation of Audit Work on Dismantling and Treatment of Waste Electrical and Electronic Products (Huanfa [2012] No. 110), subsidies auditing and payment arrangements are as follows: the environmental protection departments at provincial level shall organise and carry out auditing work on a quarterly basis and processing companies shall report the types and quantities of dismantling before the 5th day of the following month after the end of each quarter, to ensure that the relevant auditing conclusions shall be reported to the Ministry of Environmental Protection in the form of an official document of the environmental protection departments at provincial level before the end of the following month after the end of each quarter. Thereafter, the Ministry of Environmental Protection will submit it to the Ministry of Finance upon verification and aggregation. The Ministry of Finance will make payments in accordance with the relevant provisions of centralised treasury payment system after approving subsidy amounts for each processing company.

— The auditing work is conducted in accordance with the requirements of the Technical Specifications for Pollution Control of Waste Electric and Electronic Products Treatment (HJ527-2010) and the Subsidy Approval Guidelines for Waste Electric and Electronic Products Treatment Companies (Notice No. 83 (2010) of Ministry of Environmental Protection).

— Pursuant to the Administrative Measures on Treatment Qualification of Waste Electrical and Electronic Products (Order No. 13 of Ministry of Environmental Protection), the qualification is granted by the environmental protection departments of people's governments at the level of city divided into districts. The permission conditions and permission procedures are set out in the Guidelines for Qualification Review and Permit of Waste Electric and Electronic Products Treatment Companies (Notice No. 90 (2010) of Ministry of Environmental Protection).

— Pursuant to the Administrative Measures on License for Disposal of Waste Electrical and Electronic Products (Order No. 13 of MEP), the eligibilities and procedures for enterprises to apply for the disposal of waste electrical and electronic products under Chapter II Licensing Conditions and Procedures are as follows:

(a) An enterprise applying for the eligibility to dispose waste electrical and electronic products, in addition to being legally established, being in compliance with the development planning requirements of the locality on the disposal of waste electrical and electronic products, and having Value-added tax general taxpayer legal person qualifications, shall also meet the following conditions:

(1) having the workshops, venues, storage areas, dismantling/disposing equipment, matching information management systems, and pollution control facilities mapping to the disposal capability that the enterprise has stated in its application;

(2) having the sorting and packaging equipment, transport vehicles, loading devices, compression and packing equipment, special containers, central monitoring equipment, measuring equipment, emergency rescue equipment, and processing equipment mapping to the waste electrical and electronic products to be disposed of by the enterprise;

(3) having sound environmental management systems and measures, including proper utilisation or disposal solutions for waste electrical and electronic products that cannot be completely disposed of, preventive measures and contingency plans for emergent environmental accidents, etc.; and

(4) being staffed with corresponding safety, quality, and environmental protection professionals.

(b) An enterprise applying for the eligibility to dispose waste electrical and electronic products shall submit a written application to the competent environmental protection department at municipalities with sub-districts where facilities for waste electrical and electronic product disposal are located, and attach corresponding supporting materials at the same time.

(c) The competent environmental protection department at municipalities with sub-districts shall publicise relevant information in the application within 3 business days upon acceptance of the application, to solicit public opinion. The public notice period thereof shall be no less than 10 business days. The competent environmental protection department accepting the application shall verify public comments.

(d) The competent environmental protection department of municipalities with sub-districts shall review the materials submitted by an enterprise within 60 days upon the receipt of the application, and organise on-site inspections at the same time. For those meeting all requirements, the competent environmental protection department shall grant a licence for waste electrical and electronic product disposal and publicise the names of qualified enterprises. For those unqualified, the competent environmental protection department shall notify the enterprise in writing and state reasons.

Upon expiry of the license for disposal of waste electrical and electronic products, the Target Company can obtain renewal of such license provided that the conditions under Chapter II of the Administrative Measures on License for Disposal of Waste Electrical and Electronic Products as set out above are still fulfilled by the Target Company.

The Target Company did not receive the subsidies in 2012 because all the 43 enterprises eligible for fund subsidies in the first batch did not receive any subsidies in the year. It was not until 28 June 2013 that the Ministry of Environmental Protection posted the audit results for the types and quantities of waste electrical and electronic products disposed of by each enterprise in the third and fourth quarters of 2012. On 22 October 2013, the Ministry of Finance paid subsidies of approximately RMB18.96 million (equivalent to approximately HK$23.9 million) for the third and fourth quarters of 2012 to the Target Company.

Although the types and quantities of waste products dismantled and disposed of by enterprises are reported quarterly, subsidies are not paid quarterly for the time being. According to the explanation made by officials from relevant ministries at an industrial meeting, the delay in payment is mainly because the fund subsidiary system was officially enacted only in September 2012 and, as the release of the subsidies involve the Ministry of Environmental Protection, Ministry of Finance and several other ministries, a cooperation system among the ministries has yet to be established. As a result, the payment of the subsidies has been affected.

The management of the Company believes that the legal basis of the subsidies is adequate. The delay in payment may due to reasons that the procedures for payment of subsidiaries were preliminarily set up and the payment mechanism was not clear. Therefore, the management of the Company believes that upon the payment of the first batch of funds, the cooperation system among the ministries will be gradually straightened out, payment of subsidies shall be normalised, and risks associated shall become controllable.

Financial review

Results

For the year ended 31 December 2012, the Target Company's revenue was approximately RMB25.8 million (equivalent to approximately HK$32.5 million), whilst gross profit was approximately RMB11.9 million (equivalent to approximately HK$15.0 million).

Finance costs increased by approximately 31.7% to RMB5.4 million (equivalent to approximately HK$6.8 million), as compared to the same period last year. This increase was mainly attributable to the new bank borrowings of RMB15.0 million (equivalent to HK$18.9 million).

For the year ended 31 December 2012, the Target Company's net loss after tax was approximately RMB103.9 million (equivalent to approximately HK$130.9 million), representing an increase of approximately 1,343.1% as compared with approximately RMB7.2 million (equivalent to approximately HK$9.1 million) in the previous year. The aforesaid increase was mainly attributable to the written-off of amount due from a related company of approximately RMB98.9 million (equivalent to approximately HK$124.6 million), which was due from 淮安市財發擔保有限公司 (Huaian Caifa Guarantee Company Limited*) as at 31 October 2012 and was resolved to be dealt as bad debt at the general meeting of the Target Company held on 21 December 2012. The above resolution was resolved in compliance with the articles of association of the Target Company, and it did not violate the relevant PRC laws in this regard. According to the explanation from the Target Company, the reason for giving up such claim is that 淮安市財發擔保有限公司 (Huaian Caifa Guarantee Company Limited*) was a related company of the Target Company. With a view to optimising gearing structure of the related company, Mr. Chen Yaowu, the actual controller of the related company, made appropriate restructuring to the claims and debts between related companies. As advised by 北京元甲律師事務所 (Beijing Yuan Jia Law Firm*), the Company's legal adviser as to PRC law, the provision of borrowings by the Target Company to related companies and shareholders does not contravene the relevant PRC laws.

In order to avoid the acquisition and merger risk, it has been provided in the Agreement that the waiver by the Target Company of such claim is not relevant to the Company, the Consideration to be paid by the Group did not include or consider such claim, and the original shareholders of the Target Company will be responsible for any claims or rights raised against the Target Company resulting from such claim. Mr. Chen Yaowu shall ensure that the related companies has to repay the remaining debts owed to the Target Company before the transfer of equity interests of the Target Company.

Upon completion of the Acquisition, the Company will hold 55% equity interest of the Target Company and will become the controlling shareholder of the Target Company. The Company will re-regulate the businesses and cash flows between the Target Company and related parties in accordance with the internal control measures of the Company. Moreover, all transactions involved in borrowings to related companies and loans to shareholders of the Target Company in the future will be subject to approval of the Board, and the disclosure and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon completion of the Acquisition, Mr. Chen Yaowu will remain as a shareholder of the Target Company. Mr. Chen has the right to nominate the general manager of the Target Company, who is subject to appointment by the board of directors of the Target Company. It is his current intention that Mr. Chen will cease to be a member of the operation and management team of the Target Company, upon completion of the Acquisition.

Cash will be received upon delivery of scrap metal and waste or in advance, goods are seldom sold on credit.

As at 31 December 2012, the balance of prepayments was RMB1,846,775, of which RMB819,532 was related to prepayments for procurement of raw materials, RMB912,450 was related to prepayments for the acquisition of engineering equipment and the remaining RMB114,793 was related to prepayments of other normal operating amounts.

Financial resources, liquidity and gearing ratio

The Target Company finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 December 2012, the Target Company had cash and bank balances of RMB10.0 million (equivalent to approximately HK$12.6 million), representing an increase of RMB1.7 million (equivalent to approximately HK$2.1 million) as compared to RMB8.3 million (equivalent to approximately HK$10.5 million) at the end of 2011. The increase was mainly due to the new borrowings raised during the year under review. All of the Target Company's cash was denominated in RMB.

During the year ended 31 December 2012, the Target Company had a net cash inflow of approximately RMB1.7 million (equivalent to approximately HK$2.1 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 2.2 as at 31 December 2012 (2011: 5.4), while the quick ratio (which excludes stocks from current assets) was 2.1 as at 31 December 2012 (2011: 5.4). The net gearing ratio (i.e. total borrowings (net of cash and bank balances) divided by total shareholders' equity) was 0.62 as at 31 December 2012.

Foreign exchange exposure

During the year ended 31 December 2012, the business activities of the Target Company were mainly denominated in RMB. The Target Company did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Bank borrowings

As at 31 December 2012, the Target Company's total borrowings amounted to approximately RMB75.0 million (equivalent to approximately HK$94.5 million), which were secured by the Target Company's prepaid land lease payments and were guaranteed by the directors and the related companies of the Target Company. Part of the new bank borrowing raised during the year was advanced to related companies and the amounts were unsecured, interest-free and repayable on demand. As at 31 December 2012, the Target Company's borrowings were denominated in RMB and carried fixed interest rates ranging from 7.2% to 8.856% per annum. 73.3% of the borrowings were repayable within one year.

Charge on Target Company's assets

As at 31 December 2012, certain prepaid land lease payments in an aggregate amount of approximately RMB37.5 million (equivalent to approximately HK$47.3 million) were pledged to secure general banking facilities.

Contingent liabilities

As at 31 December 2012, the Target Company did not have any material contingent liabilities.

Commitments

As at 31 December 2012, the Target Company has capital commitment of approximately RMB3.0 million (equivalent to approximately HK$3.8 million) in respect of the acquisition of property, plant and equipment.

Employees

For the year ended 31 December 2012, the total staff costs for the year including directors' emoluments amounted to approximately RMB2.0 million (equivalent to approximately HK$2.5 million) (2011: RMB0.6 million (equivalent to approximately HK$0.8 million)). Meanwhile, as at 31 December 2012, the Target Company had a total of 136 staff, who are mostly based in the PRC.

For the year ended 31 December 2011, the number of staffs was 21 and labor costs was RMB600,000, representing RMB28,600 per capita. For the year ended 31 December 2012, the number of staffs was 136 and labor costs was RMB2 million, representing RMB14,700 per capita. The decrease in staff costs per capita was mainly because the Target Company was still in construction in 2011 and all of the 21 staffs were management of the Target Company with relatively higher labor costs. The Target Company commenced production and operation in 2012, most of personnel increased were production workers, while workers' wages were generally lower than that of the management, therefore the average labor costs per capital decreased significantly in 2012.

For the period ended 31 August 2013

Business review

Pursuant to the Administrative Measures, the Target Company is entitled to government subsidies for the treatment of certain waste electric and electronic products, namely television, refrigerator, washing machine, air-conditioner and micro-computer which are included in the first batch of Waste Electric and Electronic Products Treatment Catalog. The total number of electric and electronic product waste treated by the Target Company for the period ended 31 August 2013 was approximately 859,000 sets, which mainly comprised television. The subsidy per unit for television, refrigerator, washing machine, air-conditioner and micro-computer is RMB85, RMB80, RMB35, RMB35 and RMB85 respectively, which remains unchanged during 2012 and 2013.

The Target Company was permitted to dispose of 1,000,000 units each year. Based on the average television disassembling volume of 107,000 units of the Target Company from January to August 2013, the Target Company was close to full capacity and the facility utilisation efficiency was over 90%. Moreover, in the event that when it is necessary for production and operation, the Target Company may extend labor hours as applicable, hire more workers and arrange shift production without the increase in equipment investments, to further enhance capacity. The Target Company is considering further expansion of its processing capacity to process 2,000,000 units each year.

Fixed assets of the Target Company mainly comprised plant, machinery and equipment, and office electronic equipment. Updating investment may be required for the office electronic equipment in future years due to its relatively shorter useful life so as to ensure the normal operating conditions of the Target Company. It is expected that the necessary expenditures for equipment maintenance and updating will be RMB3 million by 2016.

Financial review

Results

For the period ended 31 August 2013, the Target Company's revenue was approximately RMB109.7 million (equivalent to approximately HK$138.2 million), whilst gross profit for the period ended 31 August 2013 was approximately RMB36.9 million (equivalent to approximately HK$46.5 million). For the period ended 31 August 2012, the Target Company did not record any revenue as the proactive policies, including but not limited to, the Administrative Measures had not been issued.

Finance costs increased by approximately 24.2% to RMB4.1 million (equivalent to approximately HK$5.2 million), as compared to the same period last year. This increase is mainly attributable to the new bank borrowings of RMB62.5 million (equivalent to HK$78.8 million).

For the period ended 31 August 2013, the Target Company's net profit after tax was approximately RMB22.3 million (equivalent to approximately HK$28.1 million). For the period ended 31 August 2012, the Target Company's net loss after tax was approximately RMB3.7 million (equivalent to approximately HK$4.7 million) as the proactive measures, including but not limited to the Administrative Measures had not yet been issued by the PRC government.

Cash will be received upon delivery of scrap metal and wastes or in advance, goods are seldom sold on credit.

As at 31 August 2013, the balance of prepayments was RMB2.8 million, of which RMB2.2 million was related to prepayments for procurement of raw materials and the remaining RMB0.6 million was related to prepayments of other normal operating amounts.

The provision of borrowings by the Target Company to related companies and shareholders does not contravene the relevant PRC laws. Upon completion of the Acquisition, the Company will regulate the capital flows among the Target Company and related companies and shareholders.

Financial resources, liquidity and gearing ratio

The Target Company finances its operations primarily with internally generated cash flow and loan facilities from banks. As at 31 August 2013, the Target Company had cash and bank balances of RMB26.6 million (equivalent to approximately HK$33.5 million), representing an increase of RMB16.6 million (equivalent to approximately HK$20.9 million) as compared to RMB10.0 million (equivalent to approximately HK$12.6 million) at the end of 2012. The increase was mainly due to the new borrowings raised during the year under review. All of the Target Company's cash was denominated in RMB.

During the period ended 31 August 2013, the Target Company had a net cash inflow of approximately RMB26.6 million (equivalent to approximately HK$33.5 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 1.5 as at 31 August 2013 (as at 31 December 2012: 2.1), while the quick ratio (which excludes stocks from current assets) was 1.4 as at 31 August 2013 (31 December 2012: 2.0). The net gearing ratio (i.e. total borrowings (net of cash and bank balances) divided by total shareholders' equity) was 0.88 as at 31 August 2013.

Foreign exchange exposure

During the period ended 31 August 2013, the business activities of the Target Company were mainly denominated in RMB. The Target Company did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Bank borrowings

As at 31 August 2013, the Target Company's total borrowings amounted to approximately RMB137.5 million (equivalent to approximately HK$173.3 million) of which were secured by the Target Company's prepaid land lease payments and were guaranteed by the directors, an independent third party and the related companies of the Target Company. Part of the new bank borrowing raised during the year was advanced to related companies and the amounts were unsecured, interest-free and repayable on demand. As at 31 August 2013, the Target Company's borrowings were denominated in RMB and carried fixed interest rate ranging from 5.6% to 8.86% per annum. All of the borrowings were repayable within one year.

Charge on Target Company's assets

As at 31 August 2013, certain prepaid land lease payments in an aggregate amount of approximately RMB37.0 million (equivalent to approximately HK$46.6 million) were pledged to secure general banking facilities.

Contingent liabilities

As at 31 August 2013, the Target Company did not have any material contingent liabilities.

Commitments

As at 31 August 2013, the Target Company has capital commitment of approximately RMB2.6 million (equivalent to approximately HK$3.3 million) in respect of the acquisition of property, plant and equipment.

Employees

During the period ended 31 August 2013, the total staff costs for the period, including directors' emoluments, amounted to approximately RMB4.0 million (equivalent to approximately HK$5.0 million) (2012: RMB0.6 million (equivalent to approximately HK$0.8 million)). Meanwhile, as at 31 August 2013, the Target Company had a total of 167 staff, who are mostly based in the PRC.

A. THE PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The pro forma financial information ("Pro Forma Financial Information") has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Acquisition.

The pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 as extracted from the published 2013 interim report of the Company for the six months ended 30 June 2013 and the audited statement of financial position of Target Company as at 31 August 2013 as extracted from the accountants' report set out in Appendix II to this circular, after making pro forma adjustments resulting from the Acquisition, as if the Acquisition had been completed on 30 June 2013. The pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2012 as extracted from the published 2012 annual report of the Company; and (ii) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statements of cash flows of the Target Company for the year ended 31 December 2012 as extracted from the accountants' reports as set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 1 January 2012. The Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. Accordingly, because of its nature, it does not purport to predict what the results or cash flows of the Enlarged Group will be after the Acquisition or the financial position that will be attained upon completion of the Acquisition.

The Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the 2012 annual report and 2013 interim report of the Company and other financial information included elsewhere in this circular.

Pro forma consolidated statement of financial position of the Enlarged Group

	The Group as at 30 June 2013 HK$'000 (Note 2)	The Target Company as at 31 August 2013 HK$'000 (Note 3)	Pro forma adjustments HK$'000	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
Non-current assets						
Property, plant and equipment	15,708	43,892				59,600
Intangible assets	1,584	—				1,584
Prepaid lease payments	2,287	56,834				59,121
Amounts due from grantors for contract work	408,376	—				408,376
Amount due from an investee	46,070	—				46,070
Interest in an associate	110,533	—				110,533
Deposits paid for construction of infrastructure in service concession arrangements	229,506	—				229,506
Deposits, prepayments and other receivables	28,142	—				28,142
Provisional goodwill	—	—	32,318		4(a)	32,318
	842,206	100,726	32,318	—		975,250
Current assets						
Inventories	—	19,180				19,180
Trade receivables	566	115,085				115,651
Deposits, prepayments and other receivables	38,435	4,372				42,807
Amount due from a shareholder	—	126				126
Amounts due from related companies	—	155,441	(155,441)		4(b)	—
Amounts due from grantors for contract work	10,341	—				10,341
Prepaid lease payments	52	1,194				1,246
Amount due from an associate	20,997	—				20,997
Bank balances and cash	961,673	33,566	4,493	(3,390)	4(a), 4(b), 6	996,342
	1,032,064	328,964	(150,948)	(3,390)		1,206,690
Current liabilities						
Trade payables	24,580	1,612				26,192
Other payables and accruals	599,216	16,354				615,570
Provisions	207,558	—				207,558
Deferred government grant	—	3,938	(3,938)	—	4(a)	—
Taxation payable	15,833	23,814				39,647
Borrowings	186,295	173,250				359,545
Amount due to a shareholder	—	1,260	(1,260)	—	4(b)	—
	1,033,482	220,228	(5,198)	—		1,248,512
Net current (liabilities) assets	(1,418)	108,736	(145,750)	(3,390)		(41,822)
Total assets less current liabilities	840,788	209,462	(113,432)	(3,390)		933,428
Non-current liabilities						
Convertible notes	160,287	—				160,287
Convertible bonds	78,550	—				78,550
Embedded derivatives	21,373	—				21,373
Borrowings	567,282	—				567,282
Deferred tax liabilities	6,670	—				6,670
Deferred government grant	—	49,925	(49,925)		4(a)	—
	834,162	49,925	(49,925)	—		834,162
	6,626	159,537	(63,507)	(3,390)		99,266
Capital and reserves						
Share capital	186,226	272,160	(272,160)		5	186,226
Reserves	(167,576)	(112,623)	112,623	(3,390)	5, 6	(170,966)
Equity attributable to owners of the Company	18,650	159,537	(159,537)	(3,390)		15,260
Non-controlling interests	(12,024)	—	96,030		4(a)	84,006
	6,626	159,537	(63,507)	(3,390)		99,266

Pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group

For the year ended 31 December 2012

	The Group for the year ended 31 December 2012	The Target Company for the year ended 31 December 2012	Pro forma adjustments		*Notes*	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 3)*				
Continuing operations						
Revenue	17,609	32,555				50,164
Cost of sales	(18,081)	(17,564)				(35,645)
Gross (loss) profit	(472)	14,991				14,519
Other income, gains and losses	(27,568)	4,980	(3,938)		4(c)	(26,526)
Loss on fair value change of embedded derivatives	(16,484)	—				(16,484)
Selling and distribution expenses	—	(154)				(154)
Administrative expenses	(68,057)	(7,392)		(3,390)	6	(78,839)
Share of results of an associate	7,874					7,874
Written off on amount due from a related company	—	(124,576)				(124,576)
Finance costs	(50,839)	(6,779)				(57,618)
Loss before tax	(155,546)	(118,930)	(3,938)	(3,390)		(281,804)
Income tax credit (expenses)	2,869	(12,007)				(9,138)
Loss for the year from continuing operations	(152,677)	(130,937)	(3,938)	(3,390)		(290,942)
Discontinued operations						
Profit for the year from discontinued operations	4,852	—				4,852
Loss for the year	(147,825)	(130,937)	(3,938)	(3,390)		(286,090)
Loss for the year attributable to the						
Owners of the Company	(147,054)	(130,937)	56,756	(3,390)		(224,625)
Non-controlling interests	(771)	—	(60,694)			(61,465)
Loss for the year	(147,825)	(130,937)	(3,938)	(3,390)		(286,090)

Pro forma consolidated statement of cash flows for the Enlarged Group

For the year ended 31 December 2012

	The Group for the year ended 31 December 2012	The Target Company for the year ended 31 December 2012	Pro forma adjustments		*Notes*	The Enlarged Group
	HK$'000 *(Note 1)*	*HK$'000* *(Note 3)*	*HK$'000*	*HK$'000*		*HK$'000*
OPERATING ACTIVITIES						
Loss for the year	(147,825)	(130,937)	(3,938)	(3,390)	4(c), 6	(286,090)
Adjustments for:						
Income tax (credit) expenses	(2,869)	12,007				9,138
Depreciation of property, plant and equipment	2,252	886				3,138
Amortisation of prepaid lease payments	52	915				967
Written off on an amount due from a related company	—	124,576				124,576
Amortisation of deferred government grants	—	(3,938)	3,938		4(c)	(—)
Finance costs	50,839	6,779				57,618
Interest income	(14,055)	(659)				(14,714)
Reversal of impairment loss recognised in respect of trade receivables	(853)	—				(853)
Impairment loss recognised in respect of other receivables	10,837	—				10,837
Impairment loss recognised in respect of deposits paid for construction of infrastructure in service concession arrangements	6,158	—				6,158
Impairment loss on amount due from an investee	14,595	—				14,595
Share of results of an associate	(7,874)	—				(7,874)
Change in fair value of embedded derivatives	16,484	—				16,484
Gain on disposal of property, plant and equipment	(5)	—				(5)
Amortisation of intangible assets	1,468	—				1,468
Provision for penalty charges in relation to construction of waste-to-energy plant	11,207	—				11,207
Gain on disposal of discontinued operations	(4,567)	—				(4,567)
Net unrealised exchange gain	(1,547)	—				(1,547)
Operating cash flows before movements in working capital	(65,703)	9,629		(3,390)		(59,464)
Increase in inventories	—	(11,091)				(11,091)
Decrease (increase) in trade receivables deposits, prepayments receivables	16,559	(13,516)				3,043
Increase in amounts due from a shareholder	(2,394)	—				(2,394)
(Decrease) increase in trade and other payables and accruals	(38,468)	5,443				(33,025)
Decrease in amounts due from related companies	—	18,987	(18,987)		7	—
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(90,006)	9,452	(18,987)	(3,390)		(102,931)
INVESTING ACTIVITIES						
Deposits paid to contractors for construction of infrastructure in service concession arrangement	(16,516)	—				(16,516)
Purchase of property, plant and equipment	(3,993)	(17,879)				(21,872)
Purchase of prepaid land lease payments	—	(47,890)				(47,890)
Government grants received	—	45,683				45,683
Advance to an associate	(20,025)	—				(20,025)
Repayment from an associate	2,488	—				2,488
Interest received	502	659				1,161
Disposal of subsidiaries	11,882	—				11,882
Acquisition of subsidiaries	(45,839)	—	(18,320)		7	(64,159)
Proceeds on disposal of property, plant and equipment	272	—				272
NET CASH USED IN INVESTING ACTIVITIES	(71,229)	(19,427)	(18,320)			(108,976)

	The Group for the year ended 31 December 2012 HK$'000 (Note 1)	The Target Company for the year ended 31 December 2012 HK$'000 (Note 3)	Pro forma adjustments HK$'000	HK$'000	Notes	The Enlarged Group HK$'000
FINANCING ACTIVITIES						
Repayment of borrowings	—	(119,700)				(119,700)
Share issuance expenses	(2,414)	—				(2,414)
Repayment of obligations under finance leases	(2)	—				(2)
New borrowings raised	141,791	—				141,791
Proceeds from issue of ordinary shares	132,034	—				132,034
Proceeds from bank borrowings	—	138,600				138,600
Interest paid	—	(6,779)				(6,779)
Issue of convertible bonds	100,000	—				100,000
NET CASH FROM FINANCING ACTIVITIES	371,409	12,121				383,530
NET INCREASE IN CASH AND CASH EQUIVALENTS	210,174	2,146	(37,307)	(3,390)		171,623
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,794)	—				(1,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	54,859	10,478	(10,478)		7	54,859
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	263,239	12,624	(47,785)	(3,390)		224,688

Notes to the pro forma financial information of the Enlarged Group

1. Figures are extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2012 as set out in the 2012 annual report of the Company which is mentioned in Appendix I to this circular.

2. Figures are extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2013 as set out in the 2013 interim report of the Company.

3. Figures in the consolidated statement of financial position as at 31 August 2013 and figures in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2012 are extracted from the accountants' report of the Target Company as set out in Appendix II to this circular, in which unqualified opinion was expressed by Grant Thornton, Certified Public Accountants, and converted to the presentation currency of the Group. The conversion of RMB into HK$ for the consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and consolidated statement of cash flows of the Target Company is based on the exchange rate of RMB1 to HK$1.26, exchange rate prevailing on 31 August 2013 quoted by the People's Bank of China. No representation is made that RMB amounts have been, could have been or could be converted into HK$, or vice versa, at that rate or at any other rates or at all.

4. Pursuant to the Agreement, the total Consideration shall be satisfied by cash of RMB118,800,000 (equivalent to approximately HK$149,688,000 based on the exchange rate of RMB1 to HK$1.26) and the Acquisition is subject to the conditions as set out in the section of Letter from the Board to this circular (the "Conditions").

   (a) For the purpose of preparation of the Pro Forma Financial Information, it is assumed that (i) the Target Company has fulfilled the Conditions to the Acquisition and the Acquisition will not be reversed; and (ii) the fair values of the identifiable assets and liabilities of the Target Company, except deferred government grant, approximate to their carrying amounts as at 31 August 2013. In addition, the deferred government grant does not represent a liability of the Enlarged Group since there is no obligation for the Enlarged Group to provide any future goods and service after the acquisition date for which government grant has already been received and certain obligations were completed before acquisition. Therefore, the deferred government grant is not recognised as a liability of the Enlarged Group upon completion of the Acquisition.

   The recognition of provisional goodwill and non-controlling interest from the Acquisition as if the Acquisition was completed on 30 June 2013 are as follows:

	HK$'000
Consideration to acquire 55% equity interest of the Target Company:	
Cash consideration	149,688
Plus: Non-controlling interest with 45% equity interest *(Note 1)*	96,030
Less: Deemed fair value of the net assets of the Target Company	(213,400)
Provisional goodwill arising on acquisition	32,318

   Note 1: Non-controlling interests is measured at 45%, being its proportionate share of the deemed fair value of net assets of the Target Company.

Note 2:

	HK$'000
Net assets of the Target Company as at 31 August 2013	159,537
Plus: Effect of deferred government grant	53,863
Deemed fair value of net assets of the Target Company	213,400

Specifically, in the absence of a formal valuation, the Directors have not (i) recognised any intangible assets, (ii) necessary fair value adjustments to the Target Company's identifiable assets and liabilities, and (iii) the related tax effect. The Company is in the process of identifying and determining the fair values of the identifiable assets (including intangible assets) and liabilities of the Target Company.

Since the fair value of the identifiable assets (including intangible assets) and liabilities of the Target Company used in the preparation of the Pro Forma Financial Information, may be substantially different from the final amounts of identifiable assets (including intangible assets) and liabilities, goodwill and non-controlling interests to be recognised in connection with the Acquisition at the completion date could be materially different from the estimated amounts stated herein. In addition, there may be additional amortisation and depreciation expenses and other effect on the financial performance of the Group resulting from recognition of intangible assets and fair value adjustments on other identifiable assets and liabilities.

The Directors have assessed whether there is any impairment on the provisional goodwill in accordance with Hong Kong Accounting Standards 36 "Impairment of Assets" ("HKAS 36") and concluded that there is no impairment in respect of the provisional goodwill with an assumed fair value of approximately HK$32,318,000, as shown in the pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2013.

The Directors confirmed that they will apply consistent accounting policies and principal assumptions to assess impairment of the provisional goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36.

(b) The adjustments represents the settlement of amounts due from related companies and amount due to a shareholder of the Target Company. One of the Vendors had undertaken to procure and repay amounts due from the related companies in full and the Target Company repays amount due to a shareholder in full before the completion of Acquisition.

	HK$'000
The bank balances and cash is adjusted as follows:	
Cash consideration	149,688
Add: amount due to a shareholder of the Target Company as at 31 August 2013	1,260
Less: amounts due from related companies of the Target Company as at 31 August 2013	(155,441)
	(4,493)

(c) The adjustment represents the reversal of the release of deferred government grant of the Target Company amounting to HK$3,938,000 during the year.

5. The adjustment represents the elimination of share capital of the Target Company amounting to HK$272,160,000 and pre-acquisition deficit of the Target Company amounting to HK$112,623,000.

6. The adjustment represents the estimated acquisition-related legal and professional expenses amounting to HK$3,390,000 which would be recognised in profit or loss upon completion.

7. Net cash outflow as if the Acquisition was completed on 1 January 2012 is as follows:

	HK$'000
Cash consideration	149,688
Less: cash and cash equivalent balances acquired	(10,478)
Less: amounts due from related companies of the Target Company as at 1 January 2012 *(Note)*	(120,890)
	18,320

Note: One of the Vendors had undertaken to procure and repay amounts due from the related companies in full and the Target Company repays amount due to a shareholder in full before the completion of Acquisition, where amount due to a shareholder of the Target Company is nil as at 1 January 2012. The amounts due from the related companies are assumed to be fully repaid as at 1 January 2012 as if the Acquisition were completed. Therefore, the movement of amounts due from related companies is adjusted in pro forma consolidated statements of cash flows of the Enlarged Group for the year ended 31 December 2012 accordingly.

8. No adjustment included in the pro forma consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are expected to have any continuing effect on the financial statements of the Enlarged Group in subsequent years.

9. No adjustments were made in the Pro Forma Financial Information to reflect the effect of the Group's proposed acquisition of approximately 97.85% equity interests in 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) at a consideration of RMB20 million (equivalent to approximately HK$25.2 million) and finance the repayment of certain liabilities of approximately RMB197 million (equivalent to approximately HK$248.2 million) as at 31 March 2013 of 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*). Details of such proposed acquisition was disclosed in the Company's announcement dated 19 August 2013.

B. ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation is this circular in respect of the pro forma financial information of the Enlarged Group.

Deloitte.
德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of New Environmental Energy Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Director") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 June 2013, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012, the pro forma consolidated statement of cash flows for the year ended 31 December 2012 and related notes as set out on pages III-1 to III-8 of the circular issued by the Company dated 25 November 2013 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are set out in Section A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of proposed acquisition of 55% equity interest of Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd. on the Group's financial position as at 30 June 2013 and the Group's financial performance and cash flows for the year ended 31 December 2012 as if the event or transaction had taken place at 30 June 2013 and 1 January 2012 respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2013, on which a review report has been published, while the Group's financial performance and cash flows have been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2012, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to

Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 or for the year ended 31 December 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong
25 November 2013

The following is the text of a letter prepared for inclusion in this circular, received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent business valuer, in connection with the valuation as at 31 August 2013 of the market value of 55% equity interest in the Target Company.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

25 November 2013

The Board of Directors
New Environmental Energy Holdings Limited
Unit 1613–1618, 16/F
Bank of America Tower
12 Harcourt Road Central, Hong Kong

Dear Sirs,

In accordance with the instructions from New Environmental Energy Holdings Limited ("NEEH"), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the market value of 55% equity interest in Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd. (the "Target Company"), as at 31 August 2013 (the "Valuation Date"), for acquisition reference. The report which follows is dated 25 November 2013 (the "Report Date").

Our valuation was carried out on a market value basis. Market value is defined as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*.

INTRODUCTION

Background

The Target Company was established in August 2010 under the PRC law with registered capital of RMB216 million. It is located in Huaian Industrial Park in Huaian City, Jiangsu Province, the PRC.

Pursuant to the notice dated 11 July 2012 in relation to the first batch of qualified electric and electronic product waste treatment companies jointly issued by the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the Ministry of Environmental Protection of the PRC, the Target Company was granted the qualification to recycle and disassemble waste electrical and electronic equipment in the PRC. It is also among the first batch of companies qualified to enjoy subsidy provided by the PRC government for the disposal of waste electric and electronic products.

Pursuant to the Administrative Measures on Collection and Use of the Fund of Disposing Waste Electrical and Electronic Products (the "Administrative Measures"), promulgated by the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC, the Ministry of Environmental Protection of the PRC, the General Administration of Customs of the PRC and the State Administration of Taxation, the Target Company is entitled to government subsidies for the treatment of certain waste electric and electronic products, namely television, refrigerator, washing machine, air-conditioner and computer. The total number of electric and electronic product waste treated by the Target Company for the second half of 2012 was 220,005 sets of television. In addition, the Target Company has treated approximately 615,000 sets of electric and electronic product waste, which mainly comprised television, for the first half of 2013.

Business Plan

The following paragraphs summarise the business plan of the Target Company, prepared and provided to us by the management of the Target Company.

According to the business plan, the Target Company's waste electrical and electronic products dismantling plan are listed as following:

Period	September to December, 2013	2014	2015	2016	2017 and after (sets/year)
Quantity of dismantled sets	346,500	1,000,000	1,000,000	1,000,000	1,000,000

In line of the Target Company's existing operating conditions, the existing plants, dismantling equipment, land and other fixed assets will provide the processing capacity to its waste electrical and electronic products dismantling plan in the next five years. The Target Company will make a RMB3,000,000 replacement investment on the electronic office equipment in 2016. Apart from this, there is no significant fixed asset investment plan.

BASIS OF OPINION

We have conducted our valuation in accordance with international valuation standards issued by International Valuation Standards Council ("IVSC"). The valuation procedures employed include a review of legal status and economic condition of the Target Company and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Company. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The assumption that the Target Company will be completed as planned;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Company;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject assets;
- Analysis on tactical planning, management standard and synergy of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Company.

VALUATION METHODOLOGY

In arriving at the equity value of the Target Company as at the Valuation Date, we have considered three generally accepted approaches: namely, market approach, cost approach and income approach.

Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there are established secondary markets may be valued by this approach.

Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market.

Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject asset.

Income Approach

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile.

This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Selection of Valuation Methodology

Given the unique characteristics of the asset under valuation, there are substantial limitations for the market approach and the cost approach for valuing the underlying asset. Firstly, the market approach requires market transactions of comparable assets as an indication of value. However, we have not identified any current market transactions which are comparable. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the underlying asset.

In view of the above, we have adopted the income approach for the valuation. The income approach allows for the prospective valuation of future profits and justifications for the present value of expected future cash flows.

In this study, the market value of 55% equity interest in the Target Company was developed through the application of the income approach technique known as the discounted cash flow ("DCF") method to develop the future values of the Target Company operation into a present value as of the Valuation Date. This method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the operation of the Target Company.

Under this method, value depends on the present worth of future economic benefits to be derived from the projected income. Indications of value have been developed by discounting projected future net cash flows available for payment of shareholders' interest to their present worth at discount rates which in our opinion are appropriate for the risks of the business. In considering the appropriate discount rate to be applied, we have taken into account a number of factors including the current cost of finance and the considered risk inherent in the business.

SOURCES OF INFORMATION

In conducting our valuation of the Target Company, we have reviewed information from several sources, including, but not limited to:

- Background of the Target Company and relevant corporate information;
- Historical financial information of the Target Company;
- Business plan of the Target Company prepared by the management of the Target Company;
- Financial forecast of the Target Company, which is prepared by the management of Target Company;
- Data and information pertinent to determining the required rate of return of the subject business;
- Business licenses of the Target Company; and
- Other operation and market information in relation to the Target Company's business.

We have held discussions with management of Target Company, conducted research from public sources and carried out site inspection to assess the reasonableness and fairness of information provided. We assumed such information to be reliable and legitimate; and we have relied to a considerable extent on the information provided in arriving at our opinion of value.

VALUATION ASSUMPTIONS

In determining the market value of 55% equity interest in the Target Company, we have made the following key assumptions. These assumptions have, where appropriate, been re-evaluated and validated in order to provide a more accurate and reasonable basis for our assessed value.

General Assumptions

- It is assumed that the projected business according to the proposed business plan of the Target Company could be achieved with the effort of the Target Company's management.

- Given the future development plan of the Target Company, which is designed and provided by the Target Company, we have relied on the management representation on the future business plan in our analysis model.

- In order to realise the future economic benefit of the business and maintain a competitive edge, manpower, equipment and facilities are necessary to be employed. For the valuation exercise, we have assumed that all proposed facilities and systems will work properly and will be sufficient for future operation.

- We have been provided with copies of Government documents, operation licences and other project documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent of such information provided in arriving at our opinion of value.

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect the business of the Target Company.

Major Assumptions for Equity valuation

With reference to the historical financial records, in particular for the period from January to August 2013, and the financial forecast provided by the management of the Target Company, major assumptions related to the projection of financial performance under the discounted cash flow method are assumed to be achievable with the effort of the Target Company's management and are summarized below. All forecasts in this exercise are in real terms without consideration of inflation effects.

Revenue

The historical and current market prices of different types of relevant materials have been considered in determining the unit prices of the recycled materials derived from recycling and disassembling waste electric and electronic products. The government subsidies are also the main sources of revenue of the Target Company.

- *Unit Prices from Sales*

With reference to the historical selling prices of relevant materials derived from each unit of various types of waste electric and electronic products, the selling prices during the whole forecast period presented as follows:

	Type					
				Computer		
Unit: RMB/Set	**Black and White TV Set**	**Color TV Set**	**Washing Machine**	**Host Computer**	**Monitor**	**Refrigerator**
The Selling Prices	32	50	35	42	35	111

- *Government Subsidies*

According to the Administrative Measures, the subsidies for different types of waste electrical and electronic products during the whole forecast period is estimated as follows:

	Type					
Unit: RMB/Set	Black and White TV Set	Color TV Set	Washing Machine	Computer Host Computer	Monitor	Refrigerator
Subsidies	85	85	35	40	45	80

- *Quantities*

The Target Company holds a Qualification Certificate of Disposing Waste Electrical and Electronic Products (the "Qualification Certificate") with a valid period from 15 March 2013 to 14 March 2014, which is issued by Huaian Municipal Environmental Protection Bureau and renewable. According to the permitted yearly processing quantity in the abovementioned Qualification Certificate and the historical records of the products dismantled, the estimated annual quantities of disposing waste electrical and electronic products during the forecast period are estimated as follows:

	Type					
Unit: '000 Set/year	Black and White TV Set	Color TV Set	Washing Machine	Computer Host Computer	Monitor	Refrigerator
Quantities	327,600	582,400	19,500	40,000	40,000	30,000

Cost

Based on the information provided by the management of the Target Company, costs include the cost of the waste electric and electronic products, labor cost, and other costs. We have reviewed the financial statements and accounts, and historical production record to assess the historical unit costs.

- *Unit Costs of Waste Electrical and Electronic Products*

With reference to the historical costs of waste electrical and electronic products provided by the management of the Target Company, the projected unit costs of waste electrical and electronic products are presented as follows:

	Type					
Unit: RMB/Set	Black and White TV Set	Color TV Set	Washing Machine	Computer Host Computer	Monitor	Refrigerator
Purchasing Costs	78	88	114	76	59	151

- *Unit Labor Costs*

According to the information provided by the management, there are 172 employees in the Target Company as at the Valuation Date. With reference to the historical records of labor cost provided by the management of the Target Company, the forecast unit labor costs are presented as follows:

	Type					
Unit: RMB/Set	**Black and White TV Set**	**Color TV Set**	**Washing Machine**	**Computer Host Computer**	**Monitor**	**Refrigerator**
Labor Costs	2.7	3.7	4.0	1.0	2.7	5.0

- *Other Costs*

Referring to the historical financial statement of the Target Company, other costs include fuel cost, repairs cost and other miscellaneous costs. Based on the historical data and management's future plan, it is estimated in the forecast period.

Income Tax

The effective income tax rate of the Target Company is assumed to be 25% from August 2013 thereafter.

Capital Expenditures, Depreciation and Amortization

According to the accounting policies of the Target Company, all property, plant and equipment and land are assumed to be depreciated in straight line method. The basis of determining the depreciation and amortization is as follows:

Fixed Assets	**Net Book Value** *(RMB'000)*	**Usage Life**	**Residual Rate**
Building and Construction	26,969	20	3%
Machinery	4,243	10	3%
Office Equipment	3,623	3–5	3%
Land	46,054	50	0%

With reference to the expansion plan of the Target Company, the capital expenditure is assumed as follows:

RMB'000	**September to December, 2013**	**2014**	**2015**	**2016**	**2017**
Capital Expenditures	27	—	—	3,000	4,050

Working Capital

With reference to the historical working capital turnover records and forecast provided by the management of the Target Company, the turnover days of determining the working capital during the forecast period are summarized as follows:

	2013	**2014**	**2015**	**2016**	**2017**
Trade Receivables	315	180	120	120	120
Inventories	30	30	30	30	30
Trade Payables	30	30	30	30	30
Accrued Salaries	30	30	30	30	30
Tax Payables	30	30	30	30	30

Terminal Value

According to the business plan, the Target Company will make a replacement investment for electronic office equipment of RMB 3,000,000 in 2016. Then, the Target Company will enter into stable stage of development from 2017 and thereafter. Therefore, it is assumed that the Target Company will enter its stable stage of development from 2017 and thereafter. We have thus applied a terminal multiple of 9.61 on the projected cash flows at the end of the forecast period to derive the value of the Target Company beyond the projection period. The terminal multiple is derived using the Gordon Growth Model, a mathematical simplification to capitalize an earnings stream that is expected to grow at a long-term sustainable rate "g" and discount rate "k" into perpetuity.

The formula is as follows:

$$\text{Terminal Multiple} = \frac{1+g}{k-g}$$

Where:
g = 0%
k = 10.40%

DISCOUNT RATE

In applying the DCF Method, it is necessary to determine an appropriate Weighted Average Cost of Capital ("WACC") as a discount rate. WACC is the weighted average of the estimated rate of return required by equity and debt providers for an investment of this type. The required return rate from equity and debt holders relates to perceived risk.

Risk factors relevant in our selection of an appropriate discount rate include:

1. Interest rate risk, which measures variability of returns, caused by changes in the general level of interest rates.

2. Purchasing power risk, which measures loss of purchasing power over time due to inflation.

3. Market risk, which measures the effects of the general market on the price behaviour of securities.

4. Business risk, which measures the uncertainty inherent in projections of operating income.

Consideration of risk also involves elements such as quality of management, degree of liquidity, and other factors affecting the rate of return acceptable to a given investor in a specific investment. An adjustment for risk is an increment added to a base rate to compensate for the extent of risk believed to be involved in the investment.

Comparable Listed Companies

The following aspects have been considered in choosing the comparable listed companies in this valuation exercise:

- The companies are all listed companies in Hong Kong market;
- The companies mainly operate their businesses in the PRC; and
- The companies are in the same industry or engaged in similar business lines as the Target Company.

The comparable listed companies are presented as follows:

Company Name	**Stock Code**
China Everbright International Limited	257
Dongjiang Environmental Company Limited	895
Chiho-Tiande Group Limited	976
New Environmental Energy Holdings Limited	3989

Weighted Average Cost of Capital

WACC is calculated by multiplying the cost of each capital component by its proportional weight and then summing:

$$WACC = \frac{E}{V} * Re + \frac{D}{V} * Rd * (1 - Tc)$$

Where:
Re = Required return on equity
Rd = Required return on debt
E = Market value of the firm's equity
D = Market value of the firm's debt
V = E + D
E/V = Percentage of financing that is equity
D/V = Percentage of financing that is debt
Tc = Corporate tax rate

Required Return on Equity Capital

The return on equity required of a company represents the total rate of return investors expect to earn, through a combination of dividends and capital appreciation, as a reward for risk taking. The Capital Asset Pricing Model ("CAPM") is used to calculate the required rate of return on equity investment by using publicly-traded companies.

The CAPM is a fundamental tenet of modern portfolio theory which has been the generally accepted basis for marketplace valuations of equity capital. The CAPM technique is widely accepted in the investment and financial analysis communities for the purpose of estimating a business's required return on equity capital.

The equation of CAPM is shown as follow:

Expected Required Return on Equity = Risk Free Rate + Nominal Beta (β) x Risk Premium

Determination of Beta

Beta was developed as a yardstick for comparing the volatility of the investment in a specific company of a specific industry to the investment in a broad portfolio of companies as a whole, such as the S&P 500 or the Hang Seng indices. It had been developed as the result of extensive empirical research into the market pricing of risk. Beta has gained wide acceptance as a measure of the degree of relative or systematic risk incurred by investing in an individual company as compared to the equivalent risk incurred by investing in a well-diversified portfolio of common shares.

Specific Risks

To account for specific risks inherent in the Target Company, we have included the Greek symbol "epsilon" in the CAPM as follows:

Expected Required Return on Equity = Risk Free Rate + Nominal Beta (β) x Risk Premium + ε

This adjustment is to account for the fact that the expected return for a company is expected to be affected by factors independent of the general market such as quality of management, maturity of business, liquidity of assets and others.

Parameters for CAPM

The following table summarizes the parameters used for the evaluation of the discount rates:

Risk Free Rate	1.19%	Moving average of yields on Exchange Fund Notes as at 31 August 2013. Consistent with market practice, 10-year EFN has been adopted.
Index Return	11.28%	Moving average 10-year average total return of HSI as at 31 August 2013
Market Risk Premium	10.08%	Difference between Risk Free Rate and Market Return
Relevered Beta	0.79	Based on the beta of comparable listed companies
Size Premium	6.03%	Source: Ibbotson SBBI 2013 Valuation Yearbook
Country Risk Premium	0.67%	Source: http://pages.stern.nyu.edu/∼adamodar/New_Home_Page/datafile/ctryprem.html

Company Specific Risk	3%	The risk in the Target Company is higher than the comparable companies for the reasons as below: — The Target Company is in the early development stage; — The qualification granted by the PRC government to the Target Company to recycle and disassemble waste electrical and electronic equipment is subject to review each year; and — There is no assurance that the PRC government will grant such qualification in the future.
Cost of Equity	18.85%	

Calculation of WACC

We have considered the following parameters for the equation mentioned above in deriving the WACC as at 31 August 2013:

Cost of Equity	18.85%	
Cost of Debt (After tax)	4.91%	Long-term (over 5-year) benchmark lending rate per People's Bank of China (After tax)
Debt/Equity	58%	D/E ratio of median of comparable listed companies
Nominal WACC	13.71%	
Real Term WACC	10.40%	Assuming 3% inflation rate

We consider the calculated discount rate as justifiable and appropriate for the valuation of the subject assets after considering the current market situation and business risk.

Discount for Lack of Marketability

The concept of Discount for Lack of Marketability deals with the liquidity that how quickly and easily an ownership interest can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that the shares in privately held companies are not readily marketable compared to similar interest in public companies. Most of the businesses or financial interests that we are valuing do not enjoy immediate liquidity. We thus face the task of making an adjustment from the value we have estimated from the transactions observed in the market approach to account for the lack of marketability of the business or business interest that we are valuing. That adjustment is what we refer to as the discount for lack of marketability.

In this valuation we estimate that the discount for lack of marketability in this case for the equity interest of the Target Company is at 20%.

RISK FACTORS

— Economic considerations

The PRC economy has experienced significant growth in the past decade, but such growth has been uneven, both geographically and among different sectors of the economy. There is no assurance that the expected economic growth will be realized and future social and economic changes in the PRC will be favourable to the Target Company.

— Changes in political, economic and regulatory environment in the PRC

The Target Company is subject to various laws and regulations governing its operations in the PRC. The future political and legal changes in the PRC might have either favourable or unfavourable impacts on the Target Company. The Qualification Certificate granted by the Government to the Target Company to dispose waste electrical and electronic products, is starting from March 2013, and will expire in March 2014, and is subject to the Government review each year. There is no assurance that the Government will not withdraw this Qualification Certificate in the future. According to the current policy, the Target Company is receiving the subsidies from the Government for the treatment of the waste electric and electronic products, which are the main sources of the revenue of the Target Company. Likewise, any policy changes regarding the subsidies for the treatment of certain waste electric and electronic products provided by the Government may have a material impact on the profitability of the Target Company.

— Realization of forecast and projection

This valuation is premised in part on the historical financial information and projections provided by the management of the Target Company. We have assumed accuracy of the information provided and relied to a considerable extent on such information in arriving at our opinion of value. Although appropriate tests and analyses have been carried out to verify the reasonableness and fairness of the information provided, events and circumstances frequently do not occur as expected. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustment, and the resulting investment value may differ.

As the above risk factors cannot be easily quantified or ascertained, we have not taken into account the above risk factors in our valuation exercise.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that as at 31 August 2013 the market value of 55% equity interest in the Target Company is reasonably stated at the amount of **RMB127,000,000 (RENMINBI ONE HUNDRED AND TWENTY SEVEN MILLION**).

LIMITING CONDITIONS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, NEEH and Jones Lang LaSalle Corporate and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company and NEEH over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

Note: Mr. Simon M.K. Chan is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of CPA Australia. He is also a Certified Valuation Analyst and a member of The International Association of Consultants, Valuers and Analysts (IACVA). He oversees the business valuation services of JLL and has over 15 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States.

The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, from the reporting accountants, Grant Thornton, Certified Public Accountants, Hong Kong, in relation to the valuation on the 55% equity interest of the Target Company contained in Appendix IV to this circular.

Grant Thornton
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REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF JIANGSU SUBEI WASTE VEHICLES AND HOUSEHOLD APPLIANCES DISMANTLING RECYCLING LTD.

TO THE BOARD OF DIRECTORS OF NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED

We have been engaged to report on the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") dated 25 November 2013 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the fair value of the 55% equity interest in Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd. (the "Target Company") as at 31 August 2013. The Valuation is set out in Appendix IV of the circular of New Environmental Energy Holdings Limited (the "Company") dated 25 November 2013 (the "Circular") in connection with the acquisition of the 55% equity interest in the Target Company by the Company (the "Acquisition"). The Valuation based on discounted estimated future cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company (the "Directors") are responsible for preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined and approved by the Directors, a summary of which is set out on page IV-5 to IV-9 of the Circular (the "Assumptions"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of the Acquisition.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly complied, in all material respects, in accordance with the Assumptions.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

25 November 2013

Chan Tze Kit
Practising Certificate No.: P05707

The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, from the financial adviser to the Company, Quam Capital Limited in relation to the valuation of the market value of 55% equity interest of the Target Company contained in Appendix IV to this circular.

Quam CAPITAL 華富嘉洛企業融資

Quam Capital Limited

A Member of The Quam Group

25 November 2013

The Board of Directors
New Environmental Energy Holdings Limited
Units 1613–1618
16th Floor
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Dear Sirs,

We refer to the independent valuation in connection with the market value of 55% equity interest of 江蘇蘇北廢舊汽車家電拆解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*) (the "**Target Company**") as at 31 August 2013 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Valuation**") as set out in Appendix IV to the circular of the Company dated 25 November 2013 (the "**Circular**"), which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless otherwise stated.

The valuation methodology of the Valuation was based on the discounted cash flow of the future estimated cash flows of the Target Company (the "**Forecast**") as prepared by the management of the Group and the Target Company (the "**Management**"), and for which the Management are solely responsible.

We have reviewed the Forecast and discussed with the Management the bases and assumptions upon which the Forecast has been prepared, including those principal assumptions set out in Appendix IV to the Circular. We have also considered the letter to the Company from Grant Thornton, the reporting accountants of the Company, dated 25 November 2013 regarding the work performed by them in respect of the arithmetical accuracy of the calculations of the Forecast.

On the basis of the foregoing and in the absence of unforeseeable circumstances, the bases and assumptions made by the Management and the arithmetical accuracy of the calculations reviewed by Grant Thornton, we are of the opinion that the Forecast, for which the Management are solely responsible, has been prepared after due and careful enquiry.

* *for identification purpose only*

Our opinion has been given for the sole purpose of compliance with Rule 14.62 of the Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of the Directors and chief executives

As at the Latest Practicable Date, none of the Directors or any chief executive of the Company or their respective associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors had any interest in the Shares, options, warrants, derivatives and securities carrying conversion or subscription rights into Shares.

Interests of substantial shareholders and other persons

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or the chief executive of the Company) had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

(a) Interests in the Company

Name of Shareholders	Capacity and nature of interests	Number of Shares/ underlying Shares held	Approximate percentage of issued share capital of the Company
Beijing Capital (Hong Kong) Limited	Beneficial owner *(Note 1)*	2,587,883,804 (L)	55.59%
Beijing Capital Co., Ltd.	Interest of controlled corporations *(Note 1)*	2,611,093,804 (L)	56.08%

Name of Shareholders	Capacity and nature of interests	Number of Shares/ underlying Shares held	Approximate percentage of issued share capital of the Company
Beijing Capital Group Co., Ltd.	Interest of a controlled corporation *(Note 1)*	2,611,093,804 (L)	56.08%
Simple Success Investments Limited	Beneficial owner *(Note 2)*	270,760,000 (L)	5.82%
New World Strategic Investment Limited	Interest of a controlled corporation *(Note 2)*	270,760,000 (L)	5.82%
New World Development Company Limited	Interest of a controlled corporation *(Note 2)*	270,760,000 (L)	5.82%
Chow Tai Fook Enterprises Limited	Interest of a controlled corporation *(Note 2)*	270,760,000 (L)	5.82%
Chow Tai Fook (Holding) Limited	Interest of a controlled corporation *(Note 2)*	270,760,000 (L)	5.82%
Chow Tai Fook Capital Limited	Interest of a controlled corporation *(Note 2)*	270,760,000 (L)	5.82%
Cheng Yu Tung Family (Holdings) Limited	Interest of a controlled corporation *(Note 2)*	270,760,000(L)	5.82%
Cheng Yu Tung Family (Holdings II) Limited	Interest of a controlled corporation *(Note 2)*	270,760,000 (L)	5.82%

(L) denotes a long position

Notes:

1. These Shares represent 2,243,056,218 Shares and 344,827,586 underlying Shares which may be issuable upon conversion of all the outstanding amount of the convertible bonds held by Beijing Capital (Hong Kong) Limited, which was a wholly-owned subsidiary of Beijing Capital Co., Ltd., and 23,210,000 Shares held by BC Water Investments Co., Ltd., an indirect wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital Co., Ltd. is in turn controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Co., Ltd. were deemed to have interest in the said Shares and underlying Shares held by Beijing Capital (Hong Kong) Limited and BC Water Investments Co., Ltd. for the purposes of the SFO.

2. These Shares represent 270,760,000 Shares 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 and Cheng Yu Tung Family (Holdings II) Limited hold 49% and 46.7% interests in Chow Tai Fook Capital Limited, respectively. Chow Tai Fook Capital Limited in turn owns 74.1% interest in Chow Tai Fook (Holding) Limited which holds the entire 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 II) Limited, Cheng Yu Tung Family (Holdings) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited, Chow Tai Fook Enterprises Limited, New World Development Company Limited, New World Strategic Investment Limited were deemed to have interest in the said Shares held by Simple Success Investments Limited for the purposes of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, no other person had an interest or short position in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Directorship in and employment with substantial Shareholders

Set out below are particulars of the Directors' directorship in or employment with companies which have interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Position	Name of substantial Shareholder
Yu Chang Jian	Director	Beijing Capital (Hong Kong) Limited
	Director	Beijing Capital Co., Ltd.
Liu Xiao Guang	Director	Beijing Capital (Hong Kong) Limited
	Director	Beijing Capital Co., Ltd.
	Director	Beijing Capital Group Co., Ltd.
Cao Guo Xian	Director	Beijing Capital (Hong Kong) Limited
	Vice General Manager	Beijing Capital Co., Ltd.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts with any member of the Enlarged Group which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim known to the Directors to be pending or threatened against any members of the Enlarged Group which in the opinion of the Directors would be or is likely to be of material importance.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or is likely to compete with the business of the Enlarged Group and would require disclosure under Rule 8.10 of the Listing Rules.

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Enlarged Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given their respective opinion or advice in this circular:

Name	Qualification
北京元甲律師事務所 (Beijing Yuan Jia Law Firm*)	PRC lawyers
Deloitte Touche Tohmatsu	Certified Public Accountants
Grant Thornton	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional valuer
Quam Capital Limited	A licensed corporation for carrying out type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above mentioned experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its name in the form and context in which they appear. The independent valuation report on the Target Company, and the letters of Deloitte Touche Tohmatsu, Grant Thornton and Quam Capital Limited are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, none of the above experts had any interest in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and none of the above experts had any interest, either directly or indirectly, in any assets which have been, since 31 December 2012, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Enlarged Group) have been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the disposal agreement dated 2 December 2011 entered into among Full Prosper Company Limited, a wholly-owned subsidiary of the Company, as the vendor, Golden Prestige Investments Limited, as the purchaser and Mr. Wang Cheng Jun, as the guarantor in respect of the disposal of the entire issued share capital of Hembly Garment Manufacturing Limited, which was principally engaged in trading of apparel and accessories, for a consideration of HK$12 million;

(b) the subscription agreement dated 6 December 2011 entered between the Company, as the issuer and Beijing Capital (Hong Kong) Limited, as the subscriber in respect of the subscription of the convertible bonds in the principal amount of HK$100 million at an initial conversion price of HK$0.40 per conversion share by Beijing Capital (Hong Kong) Limited;

(c) the agreement dated 6 December 2011 entered into between 株洲首創水務有限責任公司 (Zhuzhou Beijing Capital Water Treatment Company Limited*) and 揚州百瑪士環保產業發展有限公司 (Yangzhou Biomax Environmental Development Limited*) (an indirect wholly-owned subsidiary of the Company) in respect of the acquisition of the entire issued share capital of 醴陵首創垃圾綜合處理有限責任公司 (Lining Beijing Capital Waste Treatment Company Limited*) at a consideration of RMB51 million;

(d) the placing agreement dated 3 August 2012 entered into among Simple Success Investments Limited, the Company and Quam Securities Company Limited (as placing agent) in respect of the placing of the total of 127,244,000 Shares beneficially owned by Simple Success Investments Limited at an issue price of HK$0.39 per Share;

(e) the subscription agreement dated 3 August 2012 entered into between the Company and Simple Success Investments Limited in respect of the subscription of a total of 127,244,000 Shares at a subscription price of HK$0.39 per Share for a total gross proceeds of approximately HK$49.6 million;

(f) the acquisition agreement dated 24 August 2012 entered into between 北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*), formerly known as 上海環境百瑪士投資有限公司 (Shanghai Environmental Biomax Investment Limited*), an indirect wholly-owned subsidiary of the Company and 北京科林皓華環境科技發展有限責任公司 (Beijing Kelin Haohua Environment Technology Development Company Limited*) in respect of the acquisition of 100% equity interest in 都勻市科林環保有限公司 (Duyun Kelin Environment Company Limited*) at a consideration of RMB33 million;

(g) the acquisition agreement dated 24 August 2012 entered between 北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*), formerly known as 上海環境百瑪士投資有限公司 (Shanghai Environmental Biomax Investment Limited*), an indirect wholly-owned subsidiary of the Company and 北京科林皓華環境科技發展有限責任公司 (Beijing Kelin Haohua Environment Technology Development Company Limited*) in respect of acquisition of 100% equity interest in 甕安縣科林環保有限公司 (Weng'an Kelin Environment Company Limited*) at a consideration of RMB21 million;

(h) the placing and subscription agreement dated 19 October 2012 entered into among Simple Success Investments Limited, the Company and Quam Securities Company Limited (as placing agent) in respect of the placing of the total of 183,132,000 Shares beneficially owned by Simple Success Investments Limited at an issue price of HK$0.45 per Share and the subscription of a total of 183,132,000 Shares at a subscription price of HK$0.45 per Share for a total gross proceeds of approximately HK$82.4 million;

(i) the supplementary loan agreement dated 16 November 2012 between 揚州首拓環保產業發展有限公司 (Yangzhou Capital Solid Environmental Development Limited*), formerly known as 揚州百瑪士環保產業發展有限公司 (Yangzhou Biomax Environmental Development Limited*) (as borrower and an indirect wholly-owned subsidiary of the Company) and Beijing Capital Co., Ltd. (as lender) in respect of amending (a) the loan agreement (as supplemented on the same date) dated 20 February 2012 entered into between Beijing Capital Co., Ltd. (as lender) and Yangzhou Capital Solid Environmental Development Limited (as borrower) in relation to provision of an unsecured loan with a principal amount of RMB40 million; (b) the loan agreement (as supplemented on the same date) dated 20 August 2012 entered into between Beijing Capital Co., Ltd. (as lender) and Yangzhou Capital Solid Environmental Development Limited (as borrower) in relation to provision of an unsecured loan with principal amount of RMB40 million; and (c) the loan agreement (as supplemented on the same date) dated 20 August 2012 entered into between Beijing Capital Co., Ltd. (as lender) and Yangzhou Capital Solid Environmental Development Limited (as borrower) in relation to provision of an unsecured loan with a principal amount of RMB21 million (collectively the "**Existing Loan Agreements**") to the effect that (i) the respective term of the existing loan agreements shall be extended for another 24 months commencing upon satisfaction of the condition under the supplementary loan agreements; and (ii) the loans under the Existing Loan Agreements shall be secured by the charge under the share charge agreement;

(j) the share charge agreement dated 16 November 2012 entered into between 北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*), formerly known as 上海環境百瑪士投資有限公司 (Shanghai Environmental Biomax Investment Limited*) (as charger and an indirect wholly-owned subsidiary of the Company) and Beijing Capital Co., Ltd. (as chargee), pursuant to which Beijing Capital Solid Environmental Energy Investment Limited charged all its beneficially owned rights to and interests in the entire equity interest of Nanchang Biomax Green Energy Park Company Limited in favour of Beijing Capital over the charge period so as to provide guarantee for fulfillment of the obligations of Yangzhou Capital Solid Environmental Development Limited under the supplementary loan agreements as stated in (i) above;

(k) the underwriting agreement dated 27 February 2013 entered into between the Company and Beijing Capital (Hong Kong) Limited in relation to the underwriting and the relevant arrangements in respect of the right issue of the Company, details of which were set out in the listing document of the Company dated 14 June 2013;

(l) the sale and purchase agreement dated 9 August 2013 entered into among Capital Solid Green Energy Investment Limited, a wholly-owned subsidiary of the Company, Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd. in relation to the acquisition of 97.85% equity interest of 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) at a consideration of RMB20 million;

(m) the Agreement;

(n) the loan agreement dated 16 October 2013 entered into between the Company and Beijing Capital (Hong Kong) Limited in relation to the grant of loan from Beijing Capital (Hong Kong) Limited of principal amount of HK$220,000,000 to the Company; and

(o) the share pledge agreement dated 16 October 2013 entered into between the Company and Beijing Capital (Hong Kong) Limited in relation to the pledge of the Company's 60% equity interest in 北京一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Co., Ltd.*), 91.75% equity interest in 都勻市科林環保有限公司 (Duyun Kelin Environment Company Limited*), 80% equity interest in 甕安縣科林環保有限公司 (Weng'an Kelin Environment Company Limited*) and 46% equity interest in 深圳粵能環保再生能源有限公司 (Shenzhen Yueneng Waste-to-Energy Ltd.*), in favour of Beijing Capital (Hong Kong) Limited as security for the loan pursuant to the loan agreement stated in (n) above.

9. GENERAL

(a) The company secretary of the Company is Ms. Wong Bing Ni, who holds a Master's degree in Professional Accounting and is also a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, and an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

(b) The Hong Kong branch share registrar of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Units 1613-1618, 16th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

(a) the Agreement;

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for each of the two years ended 31 December 2011 and 2012;

(d) the accountants' report on the Target Company for the three years ended 31 December 2012 and the eight months ended 31 August 2013, the text of which is set out in Appendix II to this circular;

(e) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the independent valuation report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited on the Target Company, the text of which is set out in Appendix IV to this circular;

(g) the letter from Grant Thornton on the independent valuation report on the Target Company, the text of which is set out in Appendix V to this circular;

(h) the letter from Quam Capital Limited on the independent valuation report on the Target Company, the text of which is set out in Appendix VI to this circular;

(i) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(j) the written consents referred to in the paragraph headed "Qualifications and consents of experts" in this appendix;

(k) a copy of each circular of the Company issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up; and

(l) this circular.

* *for identification purpose only*

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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of New Environmental Energy Holdings Limited (the "**Company**") will be held at 3:00 p.m. on Monday, 16 December 2013, at Unit 1613–1618, 16/F, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong for the purposes of considering and, if thought fit, passing with or without modifications the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement (the "**Agreement**") dated 3 September 2013 entered into among 北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*) as purchaser, and 陳耀武 (Chen Yaowu*), 張玉道 (Zhang Yudao*), 張立飛 (Zhang Lifei*) and 淮安市雙龍偉業科技有限公司 (Huaian Shuanglong Weiye Technology Company Limited*) as vendors in relation to the sale and purchase of aggregate 55% interest of 江蘇蘇北廢舊汽車家電拆解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*) (a copy of which is marked "A" and produced to the EGM and signed by the chairman of the EGM for identification purpose) be and is hereby ratified, confirmed and approved; and

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and to execute all such documents for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions ancillary thereto and of administrative nature which he/she/they consider necessary, desirable or expedient."

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

* *for identification purposes only*

Hong Kong, 25 November 2013

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

Head Office and Principal Place of Business:
Unit 1613–1618, 16/F.
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Notes:

1. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 25 November 2013.

2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, where that member holds two or more shares, more proxies to attend and vote on behalf of him/her. A proxy need not be a shareholder of the Company.

3. To be valid, a proxy form, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.

4. Where there are joint holders of any ordinary share of the Company, any one of such holders may vote at the EGM, in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders thereof.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her/its attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

6. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the voting on the ordinary resolution at the EGM will be conducted by way of poll.

7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.