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 97.85% INTEREST OF HUIZHOU GUANGHUI ENERGY COMPANY LIMITED* 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 10:00 a.m. on Monday, 23 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 purpose only*

7 December 2013

CONTENTS

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

"Acquisition"	the acquisition by the Purchaser of the Sale Shares and the repayment of the Liabilities subject to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 9 August 2013 entered into between the Purchaser and the Vendors in relation to the Acquisition
"Announcement"	the announcement of the Company dated 19 August 2013 in relation to, among other things, the Acquisition Agreement and the transactions contemplated thereunder
"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors from time to time
"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 Shares to the Purchaser at the relevant government authorities
"Consideration"	the sale and purchase price of the Sale Shares of RMB20 million (equivalent to approximately HK$25.2 million) pursuant to the Acquisition Agreement
"Directors"	the directors of the Company
"Earnest Money"	RMB8 million, being the first instalment of the Consideration under the Acquisition Agreement
"EGM"	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among other things, the Acquisition and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition (assuming the Acquisition has been completed)
"Existing Cooperation Agreement"	the cooperation agreement dated 3 August 2001 entered into between the Target Company and the Huizhou Government in relation to the joint operation of the Existing Waste Treatment Plant

"Existing Waste Treatment Plant"	the waste treatment plant which is located in Gonglian Village, Huizhou City, Guangdong Province, the PRC. It is jointly operated by the Target Company and Huizhou Government for waste treatment and waste-to-energy generation
"Grant Thornton"	Grant Thornton Hong Kong Limited
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huizhou Government"	惠州市市容環境衛生管理局 (Huizhou Environmental and Hygiene Control Authority*)
"Independent Third Party(ies)"	party(ies) who is/are third parties independent of the Company and its connected persons
"Latest Practicable Date"	5 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Liabilities"	the portion of the liabilities of the Target Company which are arranged under the Acquisition Agreement to be repaid with the funds to be financed by the Purchaser, which amounted to approximately RMB197 million (equivalent to approximately HK$248.2 million) in aggregate as at 31 March 2013, comprising (i) amount due to related companies controlled by the Vendors, other companies related to the Vendors and certain individuals of approximately RMB127 million (equivalent to approximately HK$160.0 million) in aggregate; and (ii) payables due to entities other than those related to the Vendors of approximately RMB70 million (equivalent to approximately HK$88.2 million) in aggregate
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Cooperation Agreement"	the new cooperation agreement dated 20 August 2013 entered into among the Purchaser, the Target Company and the Huizhou Government in relation to joint operation of the Existing Waste Treatment Plant and the New Waste Treatment Plant which shall supersede the Existing Cooperation Agreement
"New Waste Treatment Plant"	a waste treatment plant to be built under the New Cooperation Agreement

* *For identification purpose only*

"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
"Purchaser"	Capital Solid Green Energy Investment Limited, a company incorporated in Hong Kong with limited liabilities and a wholly-owned subsidiary of the Company
"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 Shares"	being 97.85% of the issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s) in issue
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*), a company established in the PRC with limited liability
"Vendors"	Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd.
"%"	per cent.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"KWh"	kilowatt hour
"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

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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

7 December 2013

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF 97.85% INTEREST OF HUIZHOU GUANGHUI ENERGY COMPANY LIMITED*

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition. It was announced that the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing approximately 97.85% interest in the Target Company at a consideration of RMB20.0 million (equivalent to approximately HK$25.2 million). Apart from the payment of the Consideration, the Purchaser has agreed to finance the repayment of the Liabilities. Based on the information provided by the Target Company to the Company, as at 31 March 2013, the Liabilities amounted to approximately RMB197.0 million (equivalent to approximately HK$248.2 million).

* *For identification purpose only*

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 ACQUISITION AGREEMENT

Details of the Acquisition Agreement are as follows:

Date

9 August 2013

Parties

Vendors:	Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd.
Purchaser:	Capital Solid Green Energy Investment Limited, a wholly-owned subsidiary of the Company

As at the Latest Practicable Date, the Target Company is owned as to 40.85% by Richway Investment Management Limited, 57% by Huizhou Energy(s) Pte. Ltd. and 2.15% by 惠州市垃圾處理廠 (Huizhou City Waste Treatment Plant*), which is wholly-owned by the Huizhou Government. Richway Investment Management Limited is principally engaged in equity investment in municipal public infrastructure projects and environmental protection projects. Huizhou Energy(s) Pte. Ltd. is principally engaged in investment in energy related projects and provision of engineering services, plant construction and infrastructure services for other projects. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Vendors and 惠州市垃圾處理廠 (Huizhou City Waste Treatment Plant*) and their respective ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

The assets to be acquired are the Sale Shares, representing 97.85% of the issued share capital of the Target Company. Pursuant to the Acquisition Agreement, the Vendors will sell all of their equity interest in the Target Company to the Purchaser. 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.

* *For identification purpose only*

Consideration

The Consideration for the Sale Shares is RMB20.0 million (equivalent to approximately HK$25.2 million). The Consideration is payable in the following manner:

(a) RMB8.0 million (equivalent to approximately HK$10.1 million), being the Earnest Money, was paid within ten days after the signing of the Acquisition Agreement; and

(b) the remaining RMB12.0 million (equivalent to approximately HK$15.1 million) is payable within fifteen business days after Completion.

Pursuant to the Acquisition Agreement, upon the payment of the Earnest Money, the Vendors has provided documents to the Purchaser, including but not limited to the required documents for the registration of transfer of the Sale Shares to the Purchaser, so as to enable the Purchaser to exercise the operation right over the Target Company.

Repayment of the Liabilities

Based on the information provided by the Target Company to the Company, the Target Company had total loans and payables amounted to RMB378 million (equivalent to approximately HK$476.3 million) as at 31 March 2013, which comprised (i) a long term bank loan of RMB181 million (equivalent to approximately HK$228.1 million); (ii) amount due to related companies controlled by the Vendors, other companies related to the Vendors and certain individuals of approximately RMB127 million (equivalent to approximately HK$160.0 million) in aggregate; and (iii) payables due to entities other than those related to the Vendors of approximately RMB70 million (equivalent to approximately HK$88.2 million) in aggregate. Pursuant to the Acquisition Agreement, the Purchaser has agreed to finance the repayment of the Liabilities (being items (ii) and (iii)) by paying a total sum of RMB197 million (equivalent to approximately HK$248.2 million) into a designated account jointly controlled by the Purchaser and the Vendors for making payments for the Liabilities in the following manner:

(a) following all the conditions precedent as set out under the paragraph headed "Conditions precedent for financing the repayment of the Liabilities and Completion" below having been fulfilled, the Purchaser shall pay RMB100 million (equivalent to approximately HK$126.0 million) as the first instalment of the repayment of the Liabilities (the "**First Instalment**"); and

(b) within seven days after the First Instalment amount mentioned above has been fully utilised for repaying the same amount of the Liabilities, the Purchaser shall pay the remaining of RMB97 million (equivalent to approximately HK$122.2 million) as the second instalment for the repayment of the Liabilities.

Pursuant to the Acquisition Agreement, the First Instalment shall be first used to pay up the unpaid registered capital of the Target Company owed by Huizhou Energy(s) Pte. Ltd. of approximately RMB20.6 million (equivalent to approximately HK$26.0 million). Such amount of capital paid to the Target Company will in turn be used to repay the same amount of the Liabilities. The transfer of the Sale Shares to the Purchaser shall be completed within ten days after the payment of the First Instalment. If the transfer is not completed in the aforesaid period, the Vendors shall compensate the Purchaser any costs or loss incurred by the Purchaser.

In the event that the actual amount of loans and liabilities of the Target Company as at 31 March 2013, based on the audited financial statements of the Target Company, is higher than RMB378 million (equivalent to approximately HK$476.3 million), the related companies of the Vendors are required to waive the amount due to them by the Target Company on a dollar-to-dollar basis for any amount above RMB378 million (equivalent to approximately HK$476.3 million). Accordingly, the amounts due to related parties will be either fully settled or waived. In the event that the excess loans and liabilities of the Target Company above RMB378 million (equivalent to approximately HK$476.3 million) is higher than the amount due to the related companies of the Vendors, the Purchaser will request the Vendors, who will procure their related companies, to compensate the Purchaser and/or the Target Company the excess amount on a dollar-to-dollar basis and any costs or loss incurred by them.

The Company intends to finance the Consideration (together with the repayment of the Liabilities) as to RMB174.6 million (equivalent to approximately HK$220.0 million) by the proposed shareholders' loan, details of which were disclosed in the Company's announcement dated 16 October 2013 and circular dated 1 November 2013, and the balance by equity financing and/or debt financing.

The Consideration (together with the repayment of the Liabilities) was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to the amount of Liabilities as at 31 March 2013, the terms of the New Cooperation Agreement and that the fair value of the Target Company will be not less than approximately RMB398.0 million (equivalent to approximately HK$501.5 million), based on a valuation report prepared by an independent valuer appointed 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 for financing the repayment of the Liabilities and Completion

The payment of the First Instalment of RMB100.0 million (equivalent to approximately HK$126.0 million) by the Purchaser for financing the repayment of the Liabilities and Completion is subject to the following conditions precedent:

(i) the Purchaser having received a confirmation by an independent auditor appointed by the Purchaser and the Vendor to confirm the total amount of loans and liabilities of the Target Company as at 31 March 2013;

(ii) the Purchaser having received an unqualified accountants' report of the Target Company as at 31 March 2013 from an auditor appointed and engaged by the Purchaser;

(iii) the Purchaser having received the confirmations from 惠州市春昇環保能源發展有限公司 (Huizhou Chunxing Environmental Energy Development Company Limited*) and 惠州市貝信實業有限公司 (Huizhou Beixing Company Limited*), which are related companies controlled by the Vendors and are creditors of the Liabilities, to confirm that in the event that the total amount of loans and liabilities of the Target Group as at 31 March 2013 is more than RMB378 million (equivalent to approximately HK$476.3 million), they agree to waive the repayment of the payables owed to them as to such excess amount;

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

(v) the Huizhou Government, the Purchaser and the Target Company having entered into the New Cooperation Agreement.

In the event that condition precedent (v) cannot be fulfilled within 90 days upon the signing of the Acquisition Agreement, the Acquisition Agreement shall be automatically terminated forthwith and cease to be of any effect on the parties to the Acquisition Agreement.

As at the Latest Practicable Date, the above conditions (iii) and (v) had been satisfied.

The Purchaser may request the Vendors to refund the Earnest Money in full under any of the following circumstances:

(a) the Vendors fail to transfer the Sales Shares to the Purchaser;

(b) condition (i) above has not been satisfied within 60 days upon the signing of the Acquisition Agreement;

(c) the Vendors fail to provide assistance to fulfil condition (ii) above within 30 days upon the signing of the Acquisition Agreement;

(d) condition (iii) above has not been satisfied within ten days upon the signing of the Acquisition Agreement; or

(e) condition (iv) above has not been satisfied.

When considering whether to request for refund of the Earnest Money in the event of any of the aforesaid circumstances, the Directors will consider the reasons for giving rise to the circumstance and whether the relevant condition can be satisfied in a reasonable period.

* *For identification purpose only*

If the Directors consider that the relevant condition cannot be satisfied in a reasonable period and the failure to meet the condition would render the Acquisition unjustifiable, the Directors will request refund of the Earnest Money.

Since additional time is required, conditions (i) and (ii) have yet to be satisfied as at the Latest Practicable Date, and the due dates to fulfill such conditions have passed. Pursuant to the Acquisition Agreement, the Group has been exercising operation right over the Target Company following the payment of the Earnest Money. Based on the Company's review of the financial condition of the Target Company and the fact that the Company has received an unqualified accountants' report of the Target Company as at 31 August 2013, the Company does not foresee any difficulty in fulfilling conditions (i) and (ii) albeit additional time is required. Accordingly, the Directors have not requested for the refund of the Earnest Money for the time being and the view of the Directors that the Acquisition is in the interest of the Company and its Shareholders remains unchanged.

Completion

Pursuant to the Acquisition Agreement, Completion shall take place after all the conditions precedent have been fulfilled and upon the completion of the registration of transfer of the Sale Shares to the Purchaser with the relevant government authority.

INFORMATION OF THE TARGET COMPANY

Overview

The Target Company was established in the PRC with registered capital of RMB245,600,000. As at the Latest Practicable Date, the principal asset of the Target Company is the Existing Waste Treatment Plant, which is located in Gonglian Village, Huizhou City, Guangdong Province, the PRC. The Target Company is principally engaged in waste treatment and waste-to-energy generation project in Huizhou, the PRC. As at the date of the Acquisition Agreement, the Target Company was owned as to 97.85% by the Vendors and 2.15% by 惠州市垃圾處理廠 (Huizhou City Waste Treatment Plant*).

New Cooperation Agreement

On 3 August 2001, the Huizhou Government and the Target Company entered into the Existing Cooperation Agreement, pursuant to which, the parties agreed to cooperate in the operation of the Existing Waste Treatment Plant in the form of "Build-Operate-Transfer" (BOT) for 27 years. In view of the historical performance of the Existing Waste Treatment Plant, the Huizhou Government considered the need to construct a new waste treatment plant of higher production efficiency and larger capacity in Huizhou in place of the Existing Waste Treatment Plant to improve the productivity. On 20 August 2013, the Huizhou Government, the Target Company and the Purchaser entered into the New Cooperation Agreement in respect of the construction and operation of the New Waste Treatment Plant with a daily waste treatment capacity of 1,600 tonnes. The New Cooperation Agreement will supersede the Existing Cooperation Agreement after the completion of the relevant registration of the transfer of the Sale Shares to the Purchaser at the relevant government

* *For identification purpose only*

authorities. Pursuant to the New Cooperation Agreement, the Existing Waste Treatment Plant will continue to operate not more than three years following the signing of the New Cooperation Agreement, by then it will be demolished and be replaced by the New Waste Treatment Plant. The New Waste Treatment Plant will also be operated in the form of BOT for a term of 30 years. During 2013 to 2015, the Huizhou Government will provide compensation to the Target Company for the operation of the Existing Waste Treatment Plant. In the event that the Existing Waste Treatment Plant has operated for three years after the date of the New Cooperation Agreement, and that the New Waste Treatment Plant has yet to commence operation due to reasons caused by the Target Company or the Purchaser and its construction period exceeded 24 months, the Huizhou Government has the right to request the Target Company to pay an indemnity of RMB10 million (equivalent to approximately HK$12.6 million). The Huizhou Government will procure not less than 540,000 tons of municipal solid waste per year for the New Waste Treatment Plant to process for power generation. The Huizhou Government will provide subsidies to the Target Company for the operation of the New Waste Treatment Plant.

Upon the completion of the relevant registration of the transfer of the Sale Shares to the Purchaser at the relevant government authorities, the New Cooperation Agreement will supersede the Existing Cooperation Agreement. The Board has assessed the impairment of concession intangible asset and amount due from grantor for contract work on the basis of considering the discounted cash flows from both the Existing Cooperation Agreement and the New Cooperation Agreement, in which the recoverable amounts exceed their carrying amounts. As such, no impairment loss is recognised in the accountants' report of the Target Company contained in Appendix II to this circular and the pro forma financial information of the Enlarged Group contained in Appendix III to this circular as if the Acquisition had been completed.

Based on the business plan of the Target Company, the New Waste Treatment Plant is expected to achieve a daily waste treatment capacity of 1,600 tonnes which can generate on-grid electricity of approximately 448,000 kWh daily by 2022. This project commanded a total investment of approximately RMB564 million (equivalent to approximately HK$710.6 million).

Financial information of the Target Company

Set out below is a summary of the audited financial statements of the Target Company for the three years ended 31 December 2010, 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:

	For the year ended 31 December		**For the eight months ended 31 August**
	2011	**2012**	**2013**
	RMB million	*RMB million*	*RMB million*
Revenue	71.5	22.1	10.2
Loss before income tax	(72.6)	(20.6)	(18.4)
Loss and total comprehensive income for the year/period	(72.6)	(20.6)	(18.4)

The audited net liabilities of the Target Company was approximately RMB188.1 million as at 31 August 2013 (equivalent to approximately HK$237.0 million).

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 support to 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; (iii) the exclusive right of 30 years for the operation of the New Waste Treatment Plant granted to the Target Company; (iv) the expected operational and financial performance of the New Waste Treatment Plant, the Directors (including the independent non-executive Directors) consider the terms of the Acquisition 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 Acquisition Agreement and the transactions contemplated thereunder 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$2,112.5 million and approximately HK$2,112.7 million respectively assuming Completion has taken place on 30 June 2013.

Effect on earnings

The Group recorded loss of 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$182.4 million for the year ended 31 December 2012 assuming Completion took place on 1 January 2012.

Emphasis of matter by the Target Company's reporting accountants

Please refer to the emphasis of matter disclosed in the accountants' report of the Target Company contained in Appendix II to this circular. As at 31 August 2013, the Target Company had net liabilities of approximately RMB188.1 million (equivalent to approximately HK$237.0 million). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern. The shareholders of the Target Company confirmed they will continue to provide the Target Company with the necessary financial support to meet the Target Company's liabilities and commitments as and when they fall due. In addition, the Directors have considered the validity of going concern basis taking into account of the continuing financial support undertaken by the Group subject to the condition that the Acquisition is completed. The financial statements of the Target Company contained in Appendix II to this circular do not include any adjustments that would result from a failure of the Target Company to operate as a going concern.

Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Enlarged Group's net current liabilities would be approximately HK$295.7 million as at 30 June 2013, as if Completion had been taken place on 30 June 2013. However, as receipt in advance for subscription of rights shares in relation to the Rights Issue of approximately HK$553.9 million was recognised as the other payables of the Group as at 30 June 2013 and approximately HK$381.7 million of which has been transferred to equity after the completion of the Rights Issue in July 2013, the financial position of the Enlarged Group should be substantially improved after the Rights Issue.

After taking into account the financial resources available to and the sufficiency of working capital of the Enlarged Group, the Directors consider that the above going concern issue will not have material impact on the Enlarged Group's financial position and business position after the Acquisition. Based on the unaudited pro forma financial information of the Enlarged Group as contained in Appendix III to this circular, the Enlarged Group's equity attributable to owners of the Company would be approximately HK$14.9 million as at 30 June 2013 as if Completion had been taken place on 30 June 2013.

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 Acquisition Agreement and the transactions contemplated thereunder 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 10:00 a.m. on Monday, 23 December 2013, at which ordinary resolution will be proposed to approve the Acquisition 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 Acquisition 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 Acquisition 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.

* *For identification purpose only*

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 Beijing Capital HK, 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 31 October 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$13.9 million with principal amount of approximately HK$16 million, (ii) convertible bonds of approximately HK$82.9 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 31 October 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 31 October 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 relate parties, other payables and bank borrowings approximately RMB188.5 million (equivalent to approximately HK$237.5 million), RMB40.9 million (equivalent to approximately HK$51.5 million) and RMB163.6 million (equivalent to approximately HK$206.1) respectively, in which the bank borrowings were guaranteed by Huizhou Energy(s) Pte. Ltd., a shareholder of the Target Company and secured by Target Company's future waste treatment receivable from grantor, existing waste treatment plant and the land.

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$45.5 million and HK$5.4 million, respectively after Completion.

Currently, the Group has eight projects which are engaged in municipal waste treatment, while the Target Company is engaged in municipal waste treatment as well. The Directors are of the view that the Target Company is located a prefecture-level city in the Pearl River Delta which is economically developed, and the government boasts relatively high revenue and strong payment ability. With the strong supports from the government, growth in the volume of waste treatment is expected. In addition, the project has clear boundary conditions and high return. The Acquisition will strengthen the Group's accumulation in the traditional waste treatment (especially incineration) field and increase its influence in the industry. In the future, the Group will actively facilitate the construction of the new plant and strive to put the new plant into production as soon as possible, so as to tap the expected benefits of investment, while maintaining the efficient and stable operation of the old plant, to generate more revenues for the Group.

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

On 3 September 2013, 北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with 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*) pursuant to which 北京首拓環能投資有限公司 (Beijing Capital Solid Environmental Energy Investment Limited*) has conditionally agreed to acquire 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*) have conditionally agreed to sell 55% of the registered capital of 江蘇蘇北廢舊汽車家電柝解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*) for a total consideration of RMB118.8 million (equivalent to approximately HK$149.7 million). Upon completion of the acquisition, the Company will own 55% of 江蘇蘇北廢舊汽車家電柝解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*), and its financial results will be consolidated into the Group's accounts. 江蘇蘇北廢舊汽車家電柝解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*) was established in August 2010, with registered capital of RMB216 million (equivalent to approximately HK$272.2 million) as at 31 March 2013. It is located in the Huaian Industrial Park, Huaian, Jiangsu Province, the PRC. 江蘇蘇北廢舊汽車家電柝解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Ltd.*) has the qualification to recycle and disassemble waste electrical and electronic equipment. It is also among the first batch of companies qualified to enjoy subsidies provided by the PRC government for the disposal of waste electric and electronic products. The Company intends to finance the aforesaid consideration by the proceeds from the Rights Issues. No variation to the remuneration payable to and benefits

* *For identification purpose only*

in kind receivable by the Directors and directors 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.*) will be resulted from the aforesaid acquisition.

* *For identification purpose only*

A. FINANCIAL INFORMATION

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

7 December 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 Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司) ("Huizhou Energy" or the "Target Company"), 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 each of the years ended 31 December 2010, 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 7 December 2013 (the "Circular") in connection with its proposed acquisition of the 97.85% equity interest of Huizhou Energy (the "Acquisition").

Huizhou Energy was established as a company with limited liability under the name of Richway (Huizhou) Co., Ltd. (瑞威環保(惠州)有限公司) in the People's Republic of China (the "PRC") on 28 April 2002 under the Company Law of the PRC. Subsequently, Huizhou Energy changed its name to its current name.

The principal activities of Huizhou Energy are waste treatment and waste-to-energy business.

The audited financial statements of Huizhou Energy have been prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC. The statutory auditor of Huizhou Energy for each of the years ended 31 December 2010, 2011 and 2012 was Huizhou Zhengda Certified Public Accountants Co., Ltd. (惠州市正大會計師事務所有限公司).

For the purpose of this report, the directors of Huizhou Energy have prepared the financial statements of Huizhou Energy 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 Huizhou Energy 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 Huizhou Energy 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 Huizhou Energy as at 31 December 2010, 2011 and 2012, and 31 August 2013, and of Huizhou Energy's results and cash flows for the Relevant Periods.

Emphasis of matter — material uncertainty regarding the going concern assumption

Without qualifying our opinion we draw attention to note 2 to the Financial Information concerning the adoption of the going concern basis on which the Financial Information have been prepared. As at 31 August 2013, Huizhou Energy had net liabilities of RMB188,144,357. These conditions indicate the existence of a material uncertainty which may cast significant doubt about Huizhou Energy's ability to continue as a going concern. The shareholders of Huizhou Energy confirmed they will continue to provide Huizhou Energy with the necessary financial support to meet Huizhou Energy's liabilities and commitments as and when they fall due. In addition, the directors of Huizhou Energy have considered the validity of going concern basis taking into account of the continuing financial support undertaken by the Company's subsidiary. The Financial Information do not include any adjustments that would result from a failure of Huizhou Energy to operate as a going concern.

Comparative Financial Information

The directors of Huizhou Energy 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

		Year ended 31 December			Eight months ended 31 August	
		2010	**2011**	**2012**	**2012**	**2013**
	Notes	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
					(Unaudited)	
Revenue	7	7,833,071	71,537,230	22,134,341	19,329,739	10,165,682
Cost of sales		(8,404,576)	(76,072,487)	(17,451,878)	(13,403,324)	(10,032,829)
Gross (loss)/profit		(571,505)	(4,535,257)	4,682,463	5,926,415	132,853
Other income	8	5,251,858	5,236,581	9,179,858	4,784,867	5,054,832
Administrative expenses		(7,734,556)	(12,914,808)	(11,268,703)	(7,889,222)	(6,010,338)
Other operating expenses	9	(22,629)	(45,976,790)	(1,992,053)	(1,709,717)	(141,221)
Finance costs	10	(11,113,340)	(14,402,221)	(21,200,289)	(12,688,730)	(17,466,640)
Loss before income tax	11	(14,190,172)	(72,592,495)	(20,598,724)	(11,576,387)	(18,430,514)
Income tax expense	14	—	—	—	—	—
Loss and total comprehensive income for the year/period		(14,190,172)	(72,592,495)	(20,598,724)	(11,576,387)	(18,430,514)

Statements of financial position

	Notes	As at 31 December 2010 RMB	2011 RMB	2012 RMB	As at 31 August 2013 RMB
Non-current assets					
Property, plant and equipment	15	146,070	125,194	126,257	221,559
Intangible asset	16	69,670,825	96,736,074	93,893,708	90,308,268
Amount due from grantor for contract work	17	122,508,767	159,693,725	152,372,225	157,986,484
		192,325,662	256,554,993	246,392,190	248,516,311
Current assets					
Available-for-sale investment	18	—	2,300,000	—	—
Trade receivables	19	807,836	1,095,100	1,816,181	7,089,910
Deposits, prepayments and other receivables	20	7,031,020	833,498	1,150,889	1,350,550
Amount due from grantor for contract work	17	5,747,075	18,780,286	21,978,000	21,978,000
Cash and cash equivalents	21	140,937	114,406	349,527	514,003
		13,726,868	23,123,290	25,294,597	30,932,463
Current liabilities					
Trade and other payables	22	66,280,819	72,070,474	81,328,938	110,581,676
Amounts due to related parties	23	17,294,335	160,722,928	179,071,692	186,211,455
Bank borrowings, secured	24	40,000,000	18,000,000	19,000,000	20,800,000
		123,575,154	250,793,402	279,400,630	317,593,131
Net current liabilities		(109,848,286)	(227,670,112)	(254,106,033)	(286,660,668)
Total assets less current liabilities		82,477,376	28,884,881	(7,713,843)	(38,144,357)
Non-current liabilities					
Bank borrowings, secured	24	159,000,000	178,000,000	162,000,000	150,000,000
Net liabilities		(76,522,624)	(149,115,119)	(169,713,843)	(188,144,357)
EQUITY					
Paid-in capital	25	224,995,239	224,995,239	224,995,239	224,995,239
Reserves		(301,517,863)	(374,110,358)	(394,709,082)	(413,139,596)
Capital deficiency		(76,522,624)	(149,115,119)	(169,713,843)	(188,144,357)

Statement of changes in equity

	Paid-in capital *RMB*	Capital reserve *RMB*	Accumulated losses *RMB*	Total *RMB*
At 1 January 2010	224,995,239	500,000	(287,827,691)	(62,332,452)
Loss and total comprehensive income for the year	—	—	(14,190,172)	(14,190,172)
At 31 December 2010 and 1 January 2011	224,995,239	500,000	(302,017,863)	(76,522,624)
Loss and total comprehensive income for the year	—	—	(72,592,495)	(72,592,495)
At 31 December 2011 and 1 January 2012	224,995,239	500,000	(374,610,358)	(149,115,119)
Loss and total comprehensive income for the year	—	—	(20,598,724)	(20,598,724)
At 31 December 2012 and 1 January 2013	224,995,239	500,000	(395,209,082)	(169,713,843)
Loss and total comprehensive income for the period	—	—	(18,430,514)	(18,430,514)
At 31 August 2013	224,995,239	500,000	(413,639,596)	(188,144,357)
At 1 January 2012	224,995,239	500,000	(374,610,358)	(149,115,119)
Loss and total comprehensive income for the period	—	—	(11,576,387)	(11,576,387)
At 31 August 2012 (Unaudited)	224,995,239	500,000	(386,186,745)	(160,691,506)

Statements of cash flows

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Cash flows from operating activities					
Loss before income tax	(14,190,172)	(72,592,495)	(20,598,724)	(11,576,387)	(18,430,514)
Adjustments for:					
Depreciation of property, plant and equipment	33,545	33,075	33,735	23,544	22,517
Amortisation of intangible asset	3,580,514	7,595,914	5,378,159	3,585,440	3,585,440
Impairment on intangible asset	—	43,471,839	—	—	—
Written-back of trade payables	—	—	—	—	(331,023)
Written-off of other receivables	—	532,254	614,130	614,130	8,600
Interest expense	11,113,340	14,402,221	21,200,289	12,688,730	17,446,640
Interest income	(5,006,968)	(5,130,233)	(7,138,959)	(4,759,307)	(4,649,339)
Operating (loss)/profit before working capital changes	(4,469,741)	(11,687,425)	(511,370)	576,150	(2,327,679)
Decrease/(increase) in amount due from grantor for contract work	1,925,321	(45,087,936)	11,262,745	6,116,987	(964,920)
(Increase)/decrease in trade and other receivables	(5,222,858)	5,378,004	(1,652,602)	(844,534)	(5,481,990)
Increase in trade and other payables	2,940,783	5,527,131	8,847,244	7,358,735	29,241,225
Increase/(decrease) in amounts due to related parties	16,965,521	140,921,293	11,142,728	8,575,245	(2,052,174)
Cash generated from operations	12,139,026	95,051,067	29,088,745	21,782,583	18,414,462
Interest paid	(10,885,754)	(11,632,397)	(13,583,033)	(9,261,040)	(7,932,167)
Net cash from operating activities	1,253,272	83,418,670	15,505,712	12,521,543	10,482,295

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Cash flows from investing activities					
Purchase of property, plant and equipment	(11,676)	(12,199)	(34,798)	(32,348)	(117,819)
Purchase of intangible asset	(1,796,602)	(78,133,002)	(2,535,793)	(2,535,793)	—
Proceeds from disposal of property, plant and equipment	52,000	—	—	—	—
Purchase of available-for-sale investment	—	(2,300,000)	—	—	—
Proceeds from disposal of available-for-sale investment	—	—	2,300,000	2,300,000	—
Net cash used in investing activities	(1,756,278)	(80,445,201)	(270,591)	(268,141)	(117,819)
Cash flows from financing activities					
Repayment of bank borrowings	—	(3,000,000)	(15,000,000)	(12,300,000)	(10,200,000)
Net cash used in financing activities	—	(3,000,000)	(15,000,000)	(12,300,000)	(10,200,000)
Net (decrease)/increase in cash and cash equivalents	(503,006)	(26,531)	235,121	(46,598)	164,476
Cash and cash equivalent at beginning of the year/period	643,943	140,937	114,406	114,406	349,527
Cash and cash equivalent at end of the year/period	140,937	114,406	349,527	67,808	514,003

(B) NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Huizhou Guanghui Energy Co., Ltd. ("Huizhou Energy") was established in the People's Republic of China (the "PRC") with limited liability. The registered office is located in Zhikeng, Huyangkeng, Gonglian Village, Longfeng, Huicheng District, Huizhou City, Guangdong Province, the PRC (惠州市龍豐共聯村湖洋坑、直坑).

The principal activities of the Huizhou Energy are waste treatment and waste-to-energy business.

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

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, Huizhou Energy 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 Huizhou Energy'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.

In preparing the Financial Information, the directors of Huizhou Energy have given consideration to the future liquidity of Huizhou Energy in light of the net liabilities of RMB188,144,357 as at 31 August 2013. Huizhou Energy's shareholders confirmed they will continues to provide Huizhou Energy with the necessary financial support to meet Huizhou Energy's liabilities and commitments as and when they fall due.

In addition, the shareholders of Huizhou Energy entered into an acquisition agreement with the Purchaser in August 2013. Pursuant to the acquisition agreement, shareholders of Huizhou Energy have conditionally agreed to sell 97.85% of Huizhou Energy's equity interests to the Purchaser. The Company's subsidiary has confirmed in writing its intention to provide continuing financial support to Huizhou Energy to operate as a going concern. The directors of Huizhou Energy have also considered the validity of going concern basis taking into account of the related financial support.

The Financial Information do not include any adjustments that would result from a failure of Huizhou Energy to operate as a going concern. Should Huizhou Energy be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of its assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities to current assets and current liabilities respectively.

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:

Furniture, fixtures and equipment	5 years
Motor vehicles	5 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) Leasing

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.

Huizhou Energy 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.

(c) Financial assets

Huizhou Energy's financial assets are classified into loans and receivables and available-for-sale financial assets. 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 deposit, prepayment and other receivables 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 of financial assets below).

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recycled to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each year/period end date subsequent to initial recognition.

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.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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.

Huizhou Energy 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) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

(e) 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.

(f) Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method. Bank borrowings are classified as current liabilities unless Huizhou Energy 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.

(g) Provisions

Provisions are recognised when Huizhou Energy 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 Huizhou Energy are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(h) 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.

(i) 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 Huizhou Energy has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Huizhou Energy 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 Huizhou Energy; and

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

Revenue from waste treatment handling process is 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 Huizhou Energy 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.

(j) Construction contracts

Where the outcome of a construction contract including construction services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(k) Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, Huizhou Energy reviews the carrying amounts of its tangible and intangible 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, Huizhou Energy 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.

(l) 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.

(m) 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. Huizhou Energy'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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where Huizhou Energy is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 Huizhou Energy 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.

(n) Related parties

A party is considered to be related to Huizhou Energy 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 Huizhou Energy;

(ii) has significant influence over Huizhou Energy; or

(iii) is a member of the key management personnel of Huizhou Energy or of a parent of Huizhou Energy; or

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

(i) the entity and Huizhou Energy 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 Huizhou Energy 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 Huizhou Energy;

(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).

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Service concession arrangement

Consideration received or receivable by Huizhou Energy for the provision of construction service in a service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

When Huizhou Energy has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services and the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law, it recognises a financial asset under loans and receivables at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any identified impairment losses.

An intangible asset (concession intangible asset) is recognised to the extent that Huizhou Energy receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 3(q).

If Huizhou Energy is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Contractual obligations to restore the infrastructure to a specified level of serviceability

Huizhou Energy has contractual obligations under the service concession arrangements to maintain the infrastructure to a specified level of serviceability, or to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement. These contractual obligations to maintain and restore the infrastructure are measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

(q) Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses. Intangible assets are tested for impairment as described in below note 3d. Amortisation commences when the intangible assets are available for use.

Concession intangible assets

Concession intangible assets represent the consideration received or receivable by Huizhou Energy for the constructive services rendered under the service concession arrangement. Concession intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concessions granted to Huizhou Energy which is 27 years after the commencement of operation.

(r) Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

4. ADOPTION OF ISSUED BUT NOT YET EFFECTIVE HKFRS

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

HKFRS 9	Financial Instruments[1]

1 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.

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.

Huizhou Energy 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 and other receivables

The provisioning policy for trade and other receivables of Huizhou Energy 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 resulting in an impairment of their ability to make payments, additional provision may be required.

(ii) Classification between financial asset and/or intangible asset under HK(IFRIC) — Int 12 Service Concession Arrangements

As explained in note 3(q), Huizhou Energy recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if Huizhou Energy is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, requires Huizhou Energy to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future waste treatment volume and electricity generation capacity of the relevant waste treatment and waste-to-energy plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by Huizhou Energy's management based on their experience and assessment on current and future market condition.

(iii) Income taxes

Huizhou Energy is subject to income taxes in jurisdictions in which Huizhou Energy 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. Huizhou Energy 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.

(iv) Depreciation of property, plant and equipment

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

(v) Revenue recognition on construction service under the service concession arrangement

Huizhou Energy uses the stage of completion method to account for its revenue and costs relating to the construction service under the service concession arrangement where the outcome of a construction contract can be estimated reliably. The stage of completion is measured in accordance with the accounting policy stated in note 3(j).

Significant judgment is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and the recoverability of the construction costs. In making the judgment, Huizhou Energy evaluates by relying on past experience and the work of the project management team. Revenue from construction service under the service concession arrangement is disclosed in note 7. The stage of completion of each construction service under the service concession arrangement is assessed on a cumulative basis in each accounting period.

Changes in estimate of construction revenue or construction costs, or changes in the estimated outcome of a service concession agreement could impact the amounts of construction revenue and construction costs recognised in the consolidated statement of comprehensive income in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

(vi) Estimated impairment of amount due from grantor for contract work and intangible asset

When there is objective evidence of impairment loss, the Huizhou Energy takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

6. SERVICE CONCESSION ARRANGEMENT

Huizhou Energy has entered into service concession arrangements with Huizhou Government (惠州市市容環境衛生管理局) in the PRC on a Build-Operate-Transfer ("BOT") basis in respect of its waste treatment and waste-to-energy businesses (the "Existing Cooperation Agreement"). These service concession arrangement generally involve Huizhou Energy as an operator (i) constructing waste treatment and waste-to-energy plants for those arrangements on a BOT basis; (ii) operating and maintaining the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the Huizhou Government for the period from 2003 to 2030 (the "Service Concession Period"), and Huizhou Energy will be paid for its service over the relevant Service Concession Period at prices stipulated through a pricing mechanism.

Huizhou Energy is entitled to use all the property, plant and equipment of the waste treatment and waste-to-energy plants, however, the Huizhou Government as grantors will control and regulate the scope of services Huizhou Energy must provide with the waste treatment and waste-to-energy plants, and retain the beneficial entitlement to any residual interest in the waste treatment and waste-to-energy plants at the end of the term of Service Concession Period.

The accounting policies in respect of the classification of the service concession arrangements between financial assets (loans and receivables) and intangible assets (concessions intangible assets) are set out in "Service concession arrangement" in note 3(p).

As at 31 August 2013, Huizhou Energy had a service concession arrangement on waste-to-energy business in the PRC and a summary of the major terms of the service concession arrangement are set out as follows:

			Practical procession per day		
Name of waste treatment and waste-to-energy plant	**Location**	**Name of grantor**	**Waste treatment** *(Tonnes)*	**Electricity generation** *(million kWh)*	**Service concession period** *(Years)*
廣東省惠州市垃圾處理場	Huizhou, Guangdong Province, PRC	Huizhou Government	600	0.12	27

Pursuant to the agreement of service concession arrangement signed, Huizhou Energy are granted the rights to use the property, plant and equipment of the waste treatment and waste-to-energy plants during the Service Concession Period, but Huizhou Energy is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Period.

On 20 August 2013, Huizhou Government, Huizhou Energy and the Purchaser entered into a new cooperation agreement in (the "New Cooperation Agreement") respect of the construction and operation of the new waste treatment plant. The New Cooperation Agreement shall supersede the Existing Cooperation Agreement after the completion of the relevant registration of transfer of the 97.85% equity interest to the Purchaser with the relevant government authority. Pursuant to the New Cooperation Agreement, the existing waste treatment plant will continue to operate not more than three years, by then it will be demolished and be replaced by a new waste treatment plant. The new waste treatment plant will also be operated in the form of BOT for a term of 30 years.

7. REVENUE AND SEGMENT INFORMATION

	Year ended 31 December			Eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB* (Unaudited)	*RMB*
Sales of electricity	4,011,398	7,669,008	10,375,318	7,968,820	6,414,515
Provision of waste treatment service under BOT arrangement	2,504,165	6,570,687	9,899,441	9,502,988	3,751,167
Construction service income	1,317,508	57,297,535	1,859,582	1,857,931	—
	7,833,071	71,537,230	22,134,341	19,329,739	10,165,682

Revenue represents the consideration received and receivable for goods sold and services rendered, net of discounts, returns and related sales taxes.

Huizhou Energy identifies operating segments and prepares segment information based on the regular internal financial information reported to Huizhou Energy'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 Huizhou Energy that are used to make strategic decision, the only operating segment of Huizhou Energy is waste treatment and waste-to-energy business. No separate analysis of the reportable segment loss before income tax, reportable segment assets and reportable segment liabilities by operating segment are presented.

Geographic information

Huizhou Energy 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 period ended 31 August 2012 and 2013, two, two, two, two and two customers accounted for more than 10% of the total revenue of Huizhou Energy, amounting to RMB6,515,563, RMB14,239,695, RMB20,274,759, RMB17,471,808 and RMB10,165,682 respectively.

8. OTHER INCOME

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Insurance compensation income	—	—	2,000,000	—	74,470
Investment income	—	518	6,121	6,120	—
Effective interest income on amount due from grantor for contract work	5,006,968	5,130,233	7,138,959	4,759,307	4,649,339
Sundry income	244,890	105,830	34,778	19,440	331,023
	5,251,858	5,236,581	9,179,858	4,784,867	5,054,832

9. OTHER OPERATING EXPENSES

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Compassionate welfare expense	—	653,648	—	—	—
Penalty *(note)*	22,629	1,850,803	1,932,053	1,659,717	140,804
Donation	—	—	60,000	50,000	—
Impairment on intangible asset	—	43,471,839	—	—	—
Others	—	500	—	—	417
	22,629	45,976,790	1,992,053	1,709,717	141,221

Note: For the years ended 31 December 2010, 2011 and 2012 and period ended 31 August 2012 and 2013, the penalty represented the late charges of overdue water bill and penalty charges of the late repayment of the bank borrowings.

10. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Interest charges on bank borrowings wholly repayable within 5 years	10,885,754	11,632,397	13,583,033	9,261,040	7,932,167
Interest charges on overdue of payables for construction contracts					
— related company	—	—	1,922,850	—	5,127,600
— trade payables	227,586	268,412	418,551	269,600	347,180
Interest charges on amount due to related parties	—	2,501,412	5,275,855	3,158,090	4,030,020
Other interest charges	—	—	—	—	29,673
	11,113,340	14,402,221	21,200,289	12,688,730	17,466,640

11. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Auditors' remuneration	21,400	38,373	35,000	35,000	8,491
Depreciation of property, plant and equipments	33,545	33,075	33,735	23,544	22,517
Amortisation of intangible asset	3,580,514	7,595,914	5,378,159	3,585,440	3,585,440
Operating lease rentals in respect of office premises	—	147,500	141,329	94,480	110,945
Impairment on intangible asset	—	43,471,839	—	—	—

12. EMPLOYEES BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Salaries and other benefits	3,631,254	4,362,736	5,548,500	3,883,654	2,938,406
Retirement benefit scheme contribution	778,399	900,055	1,136,871	750,725	265,057
	4,409,653	5,262,791	6,685,371	4,634,379	3,203,463

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

13.1 Directors' emoluments

	Directors' fees *RMB*	Salaries and allowances *RMB*	Benefit-in-kind *RMB*	Contributions to defined contribution plan *RMB*	Total *RMB*
Year ended 31 December 2010					
Executive director:					
YAP Siean Sin	—	120,000	—	—	120,000
DUAN Xuefeng (resigned on 20 November 2012)	—	120,000	—	—	120,000
GU Yuwen	—	88,000	—	—	88,000
XIE Xiaowei	—	60,000	—	—	60,000
Leonard LI (resigned on 7 January 2011)	—	—	—	—	—
	—	388,000	—	—	388,000
Year ended 31 December 2011					
Executive director:					
YAP Siean Sin	—	152,000	—	—	152,000
DUAN Xuefeng (resigned on 20 November 2012)	—	172,000	—	—	172,000
GU Yuwen	—	154,500	—	—	154,500
XIE Xiaowei	—	61,000	—	—	61,000
Leonard LI (resigned on 7 January 2011)	—	—	—	—	—
YAP Sean Lee (appointed on 7 January 2011)	—	—	—	—	—
	—	539,500	—	—	539,500
Year ended 31 December 2012					
Executive director:					
YAP Siean Sin	—	174,774	—	—	174,774
DUAN Xuefeng (resigned on 20 November 2012)	—	117,445	—	—	117,445
GU Yuwen	—	174,774	—	—	174,774
XIE Xiaowei	—	30,000	—	—	30,000
YAP Sean Lee (appointed on 7 January 2011)	—	—	—	—	—
HU Zhongping (appointed on 20 November 2012)	—	—	—	—	—
	—	496,993	—	—	496,993

	Directors' fees *RMB*	Salaries and allowances *RMB*	Benefit-in-kind *RMB*	Contributions to defined contribution plan *RMB*	Total *RMB*
Eight months ended 31 August 2013					
Executive director:					
YAP Siean Sin	—	16,542	—	—	16,542
GU Yuwen	—	16,542	—	—	16,542
YAP Sean Lee (appointed on 7 January 2011)	—	—	—	—	—
HU Zhongping (appointed on 20 November 2012)	—	—	—	—	—
XIE Xiaowei	—	—	—	—	—
	—	33,084	—	—	33,084
Eight months ended 31 August 2012 (Unaudited)					
Executive director:					
YAP Siean Sin	—	117,445	—	—	117,445
GU Yuwen	—	117,445	—	—	117,445
YAP Sean Lee (appointed on 7 January 2011)	—	—	—	—	—
DUAN Xuefeng (resigned on 20 November 2012)	—	117,445	—	—	117,445
XIE Xiaowei	—	30,000	—	—	30,000
	—	382,335	—	—	382,235

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

13.2 Five highest paid individuals

During the years ended 31 December 2010, 2011, 2012 and the eight months period ended 31 August 2012 and 2013, three, three, three, three and zero of the five highest paid individuals are directors, whose emoluments are disclosed above. Details of the emoluments of other two, two, two, two and five highest paid individuals are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Salaries and other benefits	172,846	159,612	193,142	168,078	245,456
Retirement benefit scheme contribution	7,889	9,894	18,272	16,090	16,111
	180,735	169,506	211,414	184,168	261,567

Their emoluments were within the following bands:

	Number of individuals				
	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Nil to HK$1,000,000	2	2	2	2	5

14. INCOME TAX EXPENSE

No provision for PRC enterprise income tax has been provided during the Relevant Periods as Huizhou Energy does not have incurred loss for tax purpose.

Reconciliation between tax expense and accounting loss at applicable tax rate:

	Year ended 31 December			Eight months ended 31 August	
	2010	2011	2012	2012	2013
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Loss before income tax	(14,190,172)	(72,592,495)	(20,598,724)	(11,576,387)	(18,430,514)
Tax at the PRC enterprise income tax rate of 25%	(3,547,543)	(18,148,123)	(5,149,681)	(2,894,097)	(4,607,629)
Tax effect of non-taxable revenue	(1,251,742)	(1,282,559)	(1,784,740)	(1,189,826)	(1,162,335)
Tax effect of non-deductible expenses	1,907,392	3,040,670	2,513,247	1,759,487	131,162
Tax effect of tax losses not recognised	2,891,893	16,390,012	4,421,174	2,324,436	5,638,802
Income tax expense	—	—	—	—	—

As at 31 December 2010, 2011 and 2012 and 31 August 2013, Huizhou Energy has unrecognised tax losses of RMB19,139,505, RMB12,914,027, RMB37,228,546 and RMB62,778,002 respectively to carry forward against future taxable assessable profit. Under the current tax legislation, these tax losses can be carried forward for five years since the year the loss is incurred. The deferred tax assets arising from the tax losses have not been recognised as it is uncertain whether sufficient future taxable profit will be available for utilising the tax losses.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment	Motor vehicles	Total
	RMB	*RMB*	*RMB*
At 1 January 2010			
Cost	252,261	876,965	1,129,226
Accumulated depreciation	(163,142)	(746,145)	(909,287)
Net book amount	89,119	130,820	219,939
Year ended 31 December 2010			
Opening net book amount	89,119	130,820	219,939
Additions	11,676	—	11,676
Disposals	—	(52,000)	(52,000)
Depreciation for the year	(23,765)	(9,780)	(33,545)
Closing net book amount	77,030	69,040	146,070
At 31 December 2010 and 1 January 2011			
Cost	263,937	356,965	620,902
Accumulated depreciation	(186,907)	(287,925)	(474,832)
Net book amount	77,030	69,040	146,070
Year ended 31 December 2011			
Opening net book amount	77,030	69,040	146,070
Additions	12,199	—	12,199
Depreciation for the year	(23,295)	(9,780)	(33,075)
Closing net book amount	65,934	59,260	125,194
At 31 December 2011 and 1 January 2012			
Cost	276,136	356,965	633,101
Accumulated depreciation	(210,202)	(297,705)	(507,907)
Net book amount	65,934	59,260	125,194
Year ended 31 December 2012			
Opening net book amount	65,934	59,260	125,194
Additions	34,798	—	34,798
Depreciation for the year	(23,955)	(9,780)	(33,735)
Closing net book amount	76,777	49,480	126,257

	Furniture, fixtures and equipment *RMB*	Motor vehicles *RMB*	Total *RMB*
At 31 December 2012 and 1 January 2013			
Cost	310,934	356,965	667,899
Accumulated depreciation	(234,157)	(307,485)	(541,642)
Net book amount	76,777	49,480	126,257
Period ended 31 August 2013			
Opening net book amount	76,777	49,480	126,257
Additions	47,019	70,800	117,819
Depreciation for the period	(14,809)	(7,708)	(22,517)
Closing net book amount	108,987	112,572	221,559
At 31 August 2013			
Cost	357,953	427,765	785,718
Accumulated depreciation	(248,966)	(315,193)	(564,159)
Net book amount	108,987	112,572	221,559

All property, plant and equipment owned by Huizhou Energy are located in the PRC.

16. INTANGIBLE ASSET

	Concession intangible asset Total *RMB*
At 1 January 2010	
Cost	280,873,284
Accumulated amortisation and impairment losses	(209,418,547)
Net book amount	71,454,737
Year ended 31 December 2010	
Opening net book amount	71,454,737
Additions	1,796,602
Amortisation charge	(3,580,514)
Closing net book amount	69,670,825
At 31 December 2010 and 1 January 2011	
Cost	282,669,886
Accumulated amortisation and impairment losses	(212,999,061)
Net book amount	69,670,825

	Concession intangible asset Total
	RMB
Year ended 31 December 2011	
Opening net book amount	69,670,825
Additions	78,133,002
Amortisation charge	(7,595,914)
Impairment loss	(43,471,839)
Closing net book amount	96,736,074
At 31 December 2011 and 1 January 2012	
Cost	360,802,888
Accumulated amortisation and impairment losses	(264,066,814)
Net book amount	96,736,074
Year ended 31 December 2012	
Opening net book amount	96,736,074
Additions	2,535,793
Amortisation charge	(5,378,159)
Closing net book amount	93,893,708
At 31 December 2012 and 1 January 2013	
Cost	363,338,681
Accumulated amortisation and impairment losses	(269,444,973)
Net book amount	93,893,708
Period ended 31 August 2013	
Opening net book amount	93,893,708
Additions	—
Amortisation charge	(3,585,440)
Closing net book amount	90,308,268
At 31 August 2013	
Cost	363,338,681
Accumulated amortisation and impairment losses	(273,030,413)
Net book amount	90,308,268

During the year ended 31 December 2011, additions of the concession intangible asset represented the major improvements and upgrades of the existing waste-to-energy plant.

Due to the poor operating environment, the operation of electricity supply had suffered continuing losses. Huizhou Energy has assessed the recoverable amount of the intangible asset in relation to the electricity supply on the basis of value in use calculation.

The value in use calculation is based on cash flow projections covering the operating period as per the license granted. The cash flow projections are determined on the basis of the actual operating conditions and data during the Relevant Periods, and management's expectations for market conditions and developments. In addition, the directors of Huizhou Energy noted that the average electricity to be generated has been improving during the Relevant Periods, and further upgrades and improvements will be completed subsequently. Accordingly, the directors of Huizhou Energy consider the average electricity to be generated will be further improved and reach the capacity of 200kWh per tonne of waste treatment subsequent to the Relevant Periods. The assumptions used in estimating the recoverable amount of the intangible asset are listed below:

As at	**Discount rate**	**Estimated annual waste treatment volume after 31 August 2013** *(Tonnes)*	**Estimated annual electricity to be generated 31 August 2013** *(kWh)*
31 December 2010	10.42% per annum	199,800	39,960,000
31 December 2011	10.42% per annum	199,800	39,960,000
31 December 2012	10.42% per annum	199,800	39,960,000
31 August 2013	10.42% per annum	199,800	39,960,000

Judgment is required to determine the key assumptions adopted in the cash flow projections and changes in the key assumptions can significantly affect these cash flow projections. Accordingly, an impairment loss of nil, RMB43,239,654, nil and nil is recognised in the years ended 31 December 2010, 2011 and 2012 and the eight months ended 31 August 2013 respectively.

17. AMOUNT DUE FROM GRANTOR FOR CONTRACT WORK

	As at 31 December			**As at 31 August**
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Analysed for reporting purposes as:				
Current assets	5,747,075	18,780,286	21,978,000	21,978,000
Non-current assets	122,508,767	159,693,725	152,372,225	157,986,484
Closing net carrying amount	128,255,842	178,474,011	174,350,225	179,964,484

Huizhou Energy recognised financial assets — amount due from grantor for contract work in respect of its waste treatment and waste-to-energy business arising from the service concession arrangement as set out in note 6. Revenue and cost relating to the construction phase of the contract are accounted for in accordance with HKAS11. Revenue and costs relating the operating phase of the contract are accounted for in accordance with HKAS18.

Amount due from grantor for contract work bore a discounted interest at rate of 4% per annum as at each of the year/the Relevant Periods end dates. The amounts are not yet due for payment and will be settled by guaranteed amount of cash by the grantor during Service Concession Period.

During the years ended 31 December 2010, 2011 and 2012 and the eight months period ended 31 August 2012 and 2013, Huizhou Energy recognised revenue from construction services of approximately RMB1,318,000, RMB57,298,000, RMB1,860,000, RMB1,858,000 and nil respectively by reference to the stage of completion of the construction work and revenue from operation services of approximately RMB2,504,000, RMB6,571,000, RMB9,899,000, RMB9,503,000 and RMB3,751,000 respectively.

18. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Unlisted investment, at cost	—	2,300,000	—	—

An unlisted investment is stated at cost as there is no quoted market prices in active markets and the range of reasonable fair value estimates can be varied significantly that its fair value cannot be measured reliably.

19. TRADE RECEIVABLES

Huizhou Energy's trade terms with its customers are mainly on credit. The credit period is generally 30 days or based on the terms agreed in the sales agreement.

The directors of Huizhou Energy considered that the fair value of trade receivables is not materially different from their carrying amounts because these amounts have short maturity period on their inception.

The following is an aged analysis of trade receivables based on the date of delivery of goods and provision of services:

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
0–30 days	807,836	1,095,100	1,816,181	853,471
31–60 days	—	—	—	1,203,593
61–90 days	—	—	—	1,173,317
Over 90 days	—	—	—	3,859,529
	807,836	1,095,100	1,816,181	7,089,910

Impairment losses in respect of trade receivables are recorded using an allowance account unless Huizhou Energy is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. There was no impairment provision as at each of the year/period end dates of the Relevant Periods.

Trade receivables that were past due but not impaired related to two customers that had a good track record of credit with Huizhou Energy. Based on past credit history, the directors of Huizhou Energy believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Huizhou Energy does not hold any collateral over these balances.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Deposits and prepayments	6,742,368	62,649	647,601	623,761
Other receivables	288,652	770,849	503,288	726,789
	7,031,020	833,498	1,150,889	1,350,550

The directors of Huizhou Energy consider that the fair values of other receivables 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.

21. 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 bank and in hand	140,937	114,406	349,527	514,003

Cash in bank 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 Huizhou Energy'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.

22. 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	47,364,703	49,859,242	57,868,271	64,379,404
Other payables				
Deposits received from customers	—	2,587,746	—	—
Accruals and other payables	18,745,609	19,238,780	22,925,249	45,876,954
Accrued staff salaries and benefits	170,507	384,706	535,418	325,318
	18,916,116	22,211,232	23,460,667	46,202,272
	66,280,819	72,070,474	81,328,938	110,581,676

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.

Huizhou Energy was granted by its suppliers or service providers credit periods ranging from zero 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	258,267	236,275	603,964	177,435
31–60 days	227,327	207,637	178,442	164,654
61–90 days	36,175	1,717,465	155,597	67,393
Over 90 days	46,842,934	47,697,865	56,930,268	63,969,922
	47,364,703	49,859,242	57,868,271	64,379,404

23. AMOUNTS DUE TO RELATED PARTIES

Amounts due to related parties as at 31 December 2010, 2011, 2012 and 31 August 2013 are unsecured, interest bearing at 20.4%, 22.4%, 22.4% and 22.4% per annum respectively and repayable on demand.

24. BANK BORROWINGS, SECURED

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Bank borrowings, secured	199,000,000	196,000,000	181,000,000	170,800,000

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

	As at 31 December			As at 31 August
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
On demand or within one year	40,000,000	18,000,000	19,000,000	20,800,000
More than one year, but not exceeding two years	159,000,000	18,000,000	18,000,000	20,000,000
More than two years, but not exceeding five years	—	60,000,000	63,000,000	65,000,000
Over five years	—	100,000,000	81,000,000	65,000,000
	199,000,000	196,000,000	181,000,000	170,800,000
Less: Borrowings that are repayable within one year shown under current liabilities	(40,000,000)	(18,000,000)	(19,000,000)	(20,800,000)
Amount shown under non-current liabilities	159,000,000	178,000,000	162,000,000	150,000,000

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

The interest rates per annum on secured bank borrowings are approximately from 5.35% to 5.76%, 7.05%, 7.05% and 6.55% per annum at 31 December 2010, 2011 and 2012, and 31 August 2013 respectively.

These bank borrowings are guaranteed by Huizhou Energy(s) Pte. Ltd., a shareholder of Huizhou Energy, and secured by Huizhou Energy's future waste treatment receivable from grantor (note 18), existing waste treatment plant and the land at 31 December 2010, 2011 and 2012, and 31 August 2013 respectively.

25. PAID-IN CAPITAL

	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Registered capital:				
At 1 January 2011, 1 January 2012, 1 January 2013 and 31 August 2013	245,600,000	245,600,000	245,600,000	245,600,000
Paid-in capital:				
At 1 January 2011, 1 January 2012, 1 January 2013 and 31 August 2013	224,995,239	224,995,239	224,995,239	224,995,239

26. OPERATING LEASE COMMITMENTS

Huizhou Energy leases certain of its office premise under operating lease arrangements with leases negotiated for terms ranging from one to five years. As at each of the year/period end dates, total future minimum lease payments under non-cancellable operating leases are payable by Huizhou Energy as follows:

	As at 31 December			**As at 31 August**
	2010	**2011**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*
Within one year	205,300	267,035	219,040	229,382
In the second to fifth years	545,880	430,540	285,450	160,790
	751,180	697,575	504,490	390,172

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the Relevant Periods, the Company had the following significant transactions with its related parties:

(a) Key management compensation

	Year ended 31 December			**Eight months ended 31 August**	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Salaries and allowances	388,000	539,500	496,993	382,235	33,084

(b) Sales and purchases

	Year ended 31 December			Eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
Related companies *(note (i))*					
— Materials purchased	391,460	6,436,853	3,262,070	2,424,328	—
— Construction service rendered	7,661,396	138,623,012	24,089,053	20,758,537	2,830,634
— Maintenance service rendered	946,062	5,404,642	—	—	—
— Motor vehicle rental paid	36,000	144,000	144,000	96,000	12,000

(c) Interest charges on amount due to related parties

	Year ended 31 December			Eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
— Related companies *(note (i))*	—	1,712,860	4,841,162	2,755,156	3,900,908
— Ms. GU Yuwen *(note (ii))*	—	332,106	78,005	78,005	—
— Mr. YAP Siean Sin *(note (ii))*	—	448,718	348,447	319,886	124,089
— Mr. DUAN Xuefeng *(note (ii))*	—	7,728	8,241	5,043	5,023

(d) Interest charges on overdue of payable for construction contracts

	Year ended 31 December			Eight months ended 31 August	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(Unaudited)	
— Related company *(note (i))*	—	—	1,922,850	—	5,127,600

Note:

(i): The related companies are 惠州市春昇環保能源發展有限公司, 惠州市益生安裝工程有限公司 and 惠州市貝信實業有限公司, companies in which Mr. YAP Siean Sin, the shareholder and director of Huizhou Energy, has beneficial interests.

(ii): Ms. GU Yuwen and Mr. YAP Siean Sin are the directors of the Company for the years ended 31 December 2010, 2011 and 2012, and the eight months ended 31 August 2013. Mr. DUAN Xuefeng, resigned on 20 November 2012, is the director of the Company for the years ended 31 December 2010 and 2011.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

Huizhou Energy 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 Huizhou Energy is carried out by the executive director. Huizhou Energy actively and regularly reviews and manages its financial risk and takes actions to mitigate such risk. Huizhou Energy adopts conservative strategies on its risk management and seeks to limit Huizhou Energy'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.

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

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

28.1 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				
Available-for sale investment				
Unlisted investment	—	2,300,000	—	—
Loans and receivables				
Amount due from grantor for contract work	128,255,842	178,474,011	174,350,225	179,964,484
Trade receivables	807,836	1,095,100	1,816,181	7,089,910
Other receivables	288,652	770,849	503,288	726,789
Cash and cash equivalents	140,937	114,406	349,527	514,003
	129,493,267	180,454,366	177,019,221	188,295,186
	129,493,267	182,754,366	177,019,221	188,295,186

	As at 31 December			As at 31 August
	2010	2011	2012	2013
	RMB	*RMB*	*RMB*	*RMB*
Financial liabilities measured at amortised cost				
Trade and other payables	66,280,819	69,482,728	81,328,938	110,581,676
Amount due to related parties	17,294,335	160,722,928	179,071,692	186,211,455
Bank borrowings, secured	199,000,000	196,000,000	181,000,000	170,800,000
	282,575,154	426,205,656	441,400,630	467,593,131

28.2 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 Huizhou Energy. Huizhou Energy has no significant concentrations of credit risk. Huizhou Energy'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, Huizhou Energy's maximum exposure to credit risk on recognised financial assets is limited to its carrying amount as summarised in note 28.1 above.

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

28.3 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 Huizhou Energy'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.

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

Based on the simulations performed, the impact on pre-tax profit/loss for the year/period of a 50 basis-point shift would be a maximum increase/decrease of RMB995,000, RMB980,000, RMB905,000 and RMB854,000 for the years ended 31 December 2010, 2011 and 2012, and the 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.

28.4 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. Huizhou Energy's businesses are located in PRC and all transactions are conducted in RMB. Majority of Huizhou Energy's assets and liabilities are denominated in RMB, as such, Huizhou Energy has no significant foreign currency risk as at 31 December 2010, 2011, 2012 and 31 August 2013.

28.5 Liquidity risk

Liquidity risk relates to the risk that Huizhou Energy will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Huizhou Energy 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. Huizhou Energy'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 Huizhou Energy'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	Between 2 and 5 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	66,280,819	—	—	66,280,819	66,280,819
Amount due to related parties	0%–20.4%	17,294,335	—	—	17,294,335	17,294,335
Bank borrowings, secured	5.76%	76,812,555	159,245,688	—	236,058,243	199,000,000
		160,387,709	159,245,688	—	319,633,397	282,575,154

	Weighted average effective interest rate	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2011							
Financial liabilities at amortised cost							
Trade and other payables	N/A	69,482,728	—	—	—	69,482,728	69,482,728
Amount due to related parties	0%–22.4%	160,722,928	—	—	—	160,722,928	160,722,928
Bank borrowings, secured	7.05%	31,349,469	30,025,048	87,930,876	109,130,338	258,435,731	196,000,000
		261,555,125	30,025,048	87,930,876	109,130,338	488,641,387	426,205,656

	Weighted average effective interest rate	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 year	Total undiscounted cash flows	Total carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 December 2012							
Financial liabilities at amortised cost							
Trade and other payables	N/A	81,328,938	—	—	—	81,328,938	81,328,938
Amount due to related parties	0%–22.4%	179,071,692	—	—	—	179,071,692	179,071,692
Bank borrowings, secured	7.05%	31,239,485	28,952,860	87,169,652	90,917,000	238,278,997	181,000,000
		291,640,115	28,952,860	87,169,652	90,917,000	498,679,627	441,400,630

	Weighted average effective interest rate	On demand or Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 year	Total undiscounted cash flows	Total carrying amount
	%	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
At 31 August 2013							
Financial liabilities at amortised cost							
Trade and other payables	N/A	110,581,676	—	—	—	110,581,676	110,581,676
Amount due to related parties	0%–22.4%	186,211,455	—	—	—	186,211,455	186,211,455
Bank borrowings, secured	6.55%	31,495,149	29,449,876	84,979,147	71,356,520	217,280,692	170,800,000
		328,288,280	29,449,876	84,979,147	71,356,520	514,073,423	467,593,131

29. CAPITAL MANAGEMENT

Huizhou Energy'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 Huizhou Energy 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 Huizhou Energy has a reasonable level of capital to support its business.

Huizhou Energy relies on internal resources and interest-bearing borrowings to finance the capital expenditures, which is the same as prior years/period.

30. MATERIAL LITIGATIONS AND CONTINGENCIES

As at 31 August 2013, Huizhou Energy has been involved in three pending litigations relating to the construction contracts with total claim amount of approximately RMB14,832,000. Based on the legal opinion obtained by Huizhou Energy, the directors of Huizhou Energy consider that Huizhou Energy has valid grounds of defends and there will not be any material adverse impact to the Huizhou Energy's operations and on the financial positions and results of Huizhou Energy. No provisions for these litigations have been made as at 31 August 2013.

Huizhou Energy was also involved in two litigations as a defendant which had been adjudicated by the Huizhou City People's Court and Huizhou Arbitration Commission in the PRC. The total obligation against Huizhou Energy approximately RMB4,723,000 were recorded as liabilities on the statements of financial position at the related year/period end. In 2013, Huizhou Energy filed an appeal to the Huizhou City Intermediate People's Court and an objection to Huizhou Arbitration Commission. As at 31 August 2013, these two cases were in the progress of retrial at the Huizhou City People's Court and arbitration at Huizhou Arbitration Commission. The directors of Huizhou Energy consider that the provisions of the obligation was adequate and believe that any resulting liabilities will not have material adverse effect on the financial position or operating results of Huizhou Energy.

31. SUBSEQUENT EVENT

Pursuant to the Acquisition Agreement entered by the shareholders of Huizhou Energy and the Purchaser, Huizhou Energy had total loans and payables amounted to RMB378 million as at 31 March 2013. The Purchaser has agreed to finance the repayment of liabilities by paying a total sum of RMB197 million for the amount due to related parties and payables due to entities other than those related parties into a designated account jointly controlled by the Purchaser and the shareholders of Huizhou Energy for making payments for the liabilities.

In the event of the actual amount of loans and liabilities of Huizhou Energy as at 31 March 2013, based on the audited financial statements of Huizhou Energy, is higher than RMB378 million, the related companies of the shareholders are required to waive the amount due to them by Huizhou Energy on a dollar-to-dollar basis for any amount above RMB378 million. The amounts due to related parties will be either fully settled or waived. In the event that the excess loans and liabilities of Huizhou Energy above RMB378 million is higher than the amount due to the related companies of the Vendors, the Purchaser will request the shareholders of Huizhou Energy, who will procure their related companies, to compensate the Purchaser and/or Huizhou Energy the excess amount on a dollar-to-dollar basis and any costs or loss incurred by them.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Huizhou Energy 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

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

For the year ended 31 December 2010

Business review

The Target Company was established in the PRC with registered capital of RMB245,600,000. As at the Latest Practicable Date, the principal asset of the Target Company is the Existing Waste Treatment Plant, which is located in Gonglian Village, Huizhou City, Guangdong Province, the PRC. The Target Company is principally engaged in waste treatment and waste-to-energy generation project in Huizhou, the PRC.

On 3 August 2001, the Huizhou Government and the Target Company entered into the Existing Cooperation Agreement, pursuant to which, the parties agreed to cooperate in the operation of the Existing Waste Treatment Plant in the form of "Build-Operate-Transfer" (BOT) for 27 years from 3 August 2001 to 3 August 2028. According to the Existing Cooperation Agreement, the minimum guaranteed volume of waste treatment is 600 tons per day with waste treatment fee of RMB45 (equivalent to approximately HK$56.7) per ton and electricity tariff of RMB0.61 (equivalent to approximately HK$0.77) per kWh.

In 2010, the waste treatment fees increased from RMB45 (equivalent to approximately HK$56.7) per ton to RMB110 (equivalent to approximately HK$138.6) per ton, which was approved by the Huizhou Government.

The waste treatment fees are calculated based on the monthly waste treatment of the plant. The Target Company directly reports the monthly waste treatment amount and submits subsidy application together with the relevant data and supporting documents to the Ministry of Environmental Protection on a monthly basis. After verifying by the Ministry of Environmental Protection, the Ministry of Finance will pay the waste treatment fees to the Target Company on a monthly basis.

During the year ended 31 December 2010, the average amount of waste treated by the Target Company was approximately 277.4 tons per day and the average electricity to be generated was approximately 86.9 kWh per ton of waste treated. Based on the designed waste treatment capacity of the Existing Waste Treatment Plant of 300 tons per day, the facility utilisation efficiency was approximately 92.5%. The efficiency of the electricity generation facility was approximately 51%.

Due to the lack of waste treatment industry experience of the management, the Existing Waste Treatment Plant was not operated effectively that the grid-electricity generated per ton of waste is relatively lower than the designed electricity generation capacity of 200kWh per ton.

During the year ended 31 December 2010, the facilities of the Existing Waste Treatment Plant were in poor conditions and inefficient in electricity generation, which led to frequent suspension in operation. In 2010, the incineration facilities and electricity generation facilities were suspended in operation for 63 times and 35 times respectively and it took two months for the major overhaul. During the suspension period, the Target Company was not entitled to any waste treatment fee and electricity tariff. Therefore, the amount of waste treated and grid-electricity generated by the Target Company were significantly lower than their respective designed capacities during the year.

Financial review

Results

For the year ended 31 December 2010, the Target Company's revenue was approximately RMB7.8 million (equivalent to approximately HK$9.8 million) whilst gross loss for the year ended 31 December 2010 was approximately RMB0.6 million (equivalent to approximately HK$0.8 million), due to the frequent suspension of the Existing Waste Treatment Plant as discussed above.

The breakdown of the cost of sales for the year ended 31 December 2010 is as follow:

	Year ended 31 December 2010
	RMB'000
Construction cost	1,198
Repair and maintenance	2,643
Direct Labour	1,510
Electricity, water and fuel	1,046
Others	2,008
	8,405

The cost of sales mainly comprised of construction cost, repair and maintenance costs, direct labour costs, electricity, water and fuel.

Due to the lack of waste treatment industry experience of the management and low level of maintenance experience of the technician, the waste treatment equipments were not repaired properly and the problem could not be fixed after several repair, which resulted in high repair and maintenance cost.

Other operating expenses included penalty of RMB22,629 (equivalent to approximately HK$28,512.5) attributable to late penalty charges for miscellaneous payments. The Board considers that the penalty will not materially affect the Target Company after the Acquisition.

Finance costs of approximately RMB11.1 million (equivalent to approximately HK$14.0 million) was mainly attributable to the bank borrowings of RMB199 million (equivalent to HK$250.7 million) as at 31 December 2010.

For the year ended 31 December 2010, the Target Company's net loss after tax was approximately RMB14.2 million (equivalent to approximately HK$17.9 million).

Financial resources, liquidity and gearing ratio

During the year ended 31 December 2010, the Target Company had a net cash outflow of approximately RMB0.5 million (equivalent to approximately HK$0.6 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 0.11 as at 31 December 2010. 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 the total shareholders' equity was in deficit position.

Foreign exchange exposure

During the period ended 31 December 2010, the business activities of the Target Company were mainly denominated in RMB. The Target Company has not adopted 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's total borrowings amounted to approximately RMB199.0 million (equivalent to approximately HK$250.7 million) which were secured by the Target Company's future waste treatment receivable from grantor. As at 31 December 2010, the Target Company's borrowings were denominated in RMB.

Amounts due to related parties

As at 31 December 2010, the Target Company's amounts due to related parties are:

Related Parties	Interest rate per annum	Total
		RMB'000
Huizhou Energy(s) Pte. Ltd. (Shareholder of the Target Company)	N/A	329
GU Yuwen (Director of the Target Company)	20.40%	1,326
惠州市春昇環保能源發展有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–20.4%	6,954
惠州市益生安裝工程有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–20.4%	8,589
DUAN Xuefeng (Director of the Target Company)	N/A	96
		17,294

The above amounts due to related parties are unsecured and repayable on demand.

Charge on Target Company's assets

As at 31 December 2010, certain waste treatment receivable from grantor was pledged to secure general banking facilities.

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 did not have any material capital commitment.

Employees

For the year ended 31 December 2010, the total staff costs for the year, including directors' emoluments, amounted to approximately RMB4.4 million (equivalent to approximately HK$5.5 million). Meanwhile, as at 31 December 2010, the Target Company had a total of approximately 105 staff, who were mostly based in the PRC.

For the year ended 31 December 2011

Business review

During the year ended 31 December 2011, the average amount of waste treated by the Target Company was approximately 498.9 tons per day and the average electricity to be generated was approximately 87.8 kWh per ton of waste treated. Based on the designed waste treatment capacity of the Existing Waste Treatment Plant of 800 tons per day, the facility utilisation efficiency was approximately 62.4%. The efficiency of the electricity generation facility was approximately 32%.

Due to the lack of waste treatment industry experience of the management, the Existing Waste Treatment Plant was not operated effectively that the grid-electricity generated per ton of waste is relatively lower than the designed electricity generation capacity of 200kWh per ton.

During the year ended 31 December 2011, the facilities of the Existing Waste Treatment Plant were in poor conditions and inefficient in electricity generation, which led to frequent suspension in operation. In 2011, the incineration facilities and electricity generation facilities were suspended for 49 times and 22 times respectively and it took one and half month for the major overhaul. During the suspension period, the Target Company was not entitled to any waste treatment fee and electricity tariff. Therefore, the amount of waste treated and grid-electricity generated by the Target Company were lower than the their respective waste treatment capacity during the year. The efficiency of electricity generation facility decreased from approximately 51% in 2010 to approximately 32% in 2011 as only one electricity generator was allowed to be in operation even though the number of incinerators had been increased from 2 to 4.

Financial review

Results

For the year ended 31 December 2011, the Target Company's revenue was approximately RMB71.5 million (equivalent to approximately HK$90.1 million), representing an increase of approximately 816.7% as compared with approximately RMB7.8 million (equivalent to approximately HK$9.8 million) for the year ended 31 December 2010, mainly represented the increase in construction income of approximately RMB56.0 million (equivalent to approximately HK$70.6 million) from waste treatment plant upgrade, which was started in late 2010 and completed in early 2012. The gross loss for the year ended 31 December 2011 increased to approximately RMB4.5 million (equivalent to approximately HK$5.7 million) as compared with RMB0.6 million (equivalent to approximately HK$0.8 million) in the previous year, due to the frequent suspension of the Existing Waste Treatment Plant as discussed above.

The breakdown of the cost of sales for the year ended 31 December 2011 is as follow:

	Year ended 31 December	
	2010	**2011**
	RMB'000	*RMB'000*
Construction cost	1,198	52,089
Repair and maintenance	2,643	14,771
Direct Labour	1,510	2,337
Electricity, water and fuel	1,046	2,624
Others	2,008	4,251
	8,405	76,072

Construction cost increased by approximately 4,248.0% which was mainly attributable to the waste treatment plant upgrade mentioned above. Repair and maintenance costs increased by approximately 458.87% due to the replacement of certain equipment of two incineration lines. Direct labour costs and electricity, water and fuel increased by approximately 54.77% and 150.86% respectively which were in line with the increase in revenue during the year.

Other operating expenses included penalty of approximately RMB1.3 million (equivalent to approximately HK$1.6 million) and RMB0.6 million (equivalent to approximately HK$0.8 million) attributable to the late penalty charge of water bill and penalty charge of late repayment of the bank borrowings respectively. The overdue water bill had been paid subsequently. The bank and the Target Company have agreed a new repayment schedule of bank borrowings. The Board considers that the penalty will not materially affect the Target Company after the Acquisition.

Finance costs increased by approximately 29.7% to approximately RMB14.4 million (equivalent to approximately HK$18.1 million), as compared to the previous year. This increase was mainly attributable to the increase in interest charges on payables for the construction contract.

For the year ended 31 December 2011, the Target Company's net loss after tax was approximately RMB72.6 million (equivalent to approximately HK$91.5 million), representing an increase of approximately 411.3% as compared with approximately RMB14.2 (equivalent to approximately HK$17.9 million) for the year ended 31 December 2010.

Financial resources, liquidity and gearing ratio

During the year ended 31 December 2011, the Target Company had a net cash outflow of approximately RMB0.1 million (equivalent to approximately HK$0.1 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 0.09 as at 31 December 2011. 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 2011 as the total shareholders' equity was in deficit position.

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 had not adopted 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 RMB196.0 million (equivalent to approximately HK$247.0 million) which were secured by the Target Company's future waste treatment receivable from grantor, existing waste treatment plant and the land and guaranteed by Huizhou Energy(s) Pte. Ltd., the shareholder of the Target Company. As at 31 December 2011, the Target Company's borrowings were denominated in RMB.

Amounts due to related parties

As at 31 December 2011, the Target Company's amounts due to related parties are:

Related Parties	Interest rate per annum	Total
		RMB'000
Huizhou Energy(s) Pte. Ltd. (Shareholder of the Target Company)	N/A	329
GU Yuwen (Director of the Target Company)	0%–22.4%	1,418
惠州市春昇環保能源發展有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	6,817
惠州市益生安裝工程有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	14,336
惠州市貝信實業有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	132,047
YAP Siean Sin (Director of the Target Company)	0%–22.4%	5,628
DUAN Xuefeng (Director of the Target Company)	0%–22.4%	148
		160,723

The above amounts due to related parties are unsecured and repayable on demand.

Charge on Target Company's assets

As at 31 December 2011, certain waste treatment receivable from grantor, existing waste treatment plant and the land were pledged to secure general banking facilities.

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 did not have any material capital commitment.

Employees

For the year ended 31 December 2011, the total staff costs for the year including directors' emoluments amounted to approximately RMB5.3 million (equivalent to approximately HK$6.7 million). Meanwhile, as at 31 December 2011, the Target Company had a total of approximately 110 staff, who were mostly based in the PRC.

For the year ended 31 December 2012

Business review

During the year ended 31 December 2012, the average amount of waste treated by the Target Company was approximately 628.5 tons per day and the average electricity to be generated was approximately 94.3 kWh per ton of waste treated. Based on the designed waste treatment capacity of the Existing Waste Treatment Plant of 800 tons per day, the facility utilisation efficiency was approximately 78.6%. The efficiency of the electricity generation facility was approximately 35%.

Due to the lack of waste treatment industry experience of the management, the Existing Waste Treatment Plant was not operated effectively that the grid-electricity generated per ton of waste is relatively lower than the designed electricity generation capacity of 200kWh per ton.

During the year ended 31 December 2012, there was insufficient repair and maintenance for the Existing Waste Treatment Plant. As a result, the Existing Waste Treatment Plant became inefficient in operation. In 2012, the incineration facilities and electricity generation facilities were suspended for 18 times and 26 times respectively and it took one and half month for the major overhaul. The facility utilisation efficiency increased from approximately 62.4% in 2011 to approximately 78.6% in 2012 due to the suspension period was shortened.

Financial review

Results

For the year ended 31 December 2012, the Target Company's revenue was approximately RMB22.1 million (equivalent to approximately HK$27.8 million), representing a decrease of approximately 69.1% as compared with approximately RMB71.5 million (equivalent to approximately HK$90.1 million) for the year ended 31 December 2011, mainly represented decrease in construction income of approximately RMB55.4 million (equivalent to approximately HK$69.8 million) after the waste treatment plant upgraded completed in early 2012. The gross profit for the year ended 31 December 2012 was approximately RMB4.7 million (equivalent to approximately HK$5.9 million). The gross loss for the year ended 31 December 2011 was approximately RMB4.5 million (equivalent to approximately HK$5.7 million).

The breakdown of the cost of sales for the year ended 31 December 2012 is as follow:

	Year ended 31 December	
	2011	**2012**
	RMB'000	*RMB'000*
Construction cost	52,089	1,691
Repair and maintenance	14,771	6,274
Direct Labour	2,337	3,397
Electricity, water and fuel	2,624	2,435
Others	4,251	3,655
	76,072	17,452

Construction cost decreased by approximately 96.75% due to the completion of construction work on waste treatment plant upgrade in early 2012. Repair and maintenance costs decreased by approximately 57.52% as certain regular repairs and maintenance had not been made and the amount of repair and maintenance cost represents a replacement of certain equipment of two incineration lines in 2012. Direct labour costs increased by approximately 45.36% which is in line with the increase in revenue from the provision of waste treatment service under BOT arrangement.

Other operating expenses included penalty of approximately RMB1.3 million (equivalent to approximately HK$1.6 million) and RMB0.6 million (equivalent to approximately HK$0.8 million) attributable to the late penalty charge of water bill and penalty charge of late repayment of the bank borrowings respectively. The overdue water bill had been paid subsequently. The bank and the Target Company have agreed a new repayment schedule of bank borrowings. The Board considers that the penalty will not materially affect the Target Company after the Acquisition.

Finance costs increased by approximately 47.2% to RMB21.2 million (equivalent to approximately HK$26.7 million), as compared to the previous year. This increase was mainly attributable to the increase in interest charges on payables for the construction contract.

For the year ended 31 December 2012, the Target Company's net loss after tax was approximately RMB20.6 million (equivalent to approximately HK$26.0 million), representing a decrease of approximately 71.6% as compared with approximately RMB72.6 million (equivalent to approximately HK$91.5 million) for the year ended 31 December 2011.

Financial resources, liquidity and gearing ratio

During the year ended 31 December 2012, the Target Company had a net cash inflow of approximately RMB0.2 million (equivalent to approximately HK$0.3 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 0.09 as at 31 December 2012. 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 2012 as the total shareholders' equity was in deficit position.

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 has not adopted 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 RMB181.0 million (equivalent to approximately HK$228.1 million) which were secured by the Target Company's future waste treatment receivable from grantor, existing waste treatment plant and the land and guaranteed by Huizhou Energy(s) Pte. Ltd., the shareholder of the Target Company. As at 31 December 2012, the Target Company's borrowings were denominated in RMB.

Amounts due to related parties

As at 31 December 2012, the Target Company's amounts due to related parties are:

Related Parties	Interest rate per annum	Total
		RMB'000
Huizhou Energy(s) Pte. Ltd. (Shareholder of the Target Company)	N/A	329
惠州市春昇環保能源發展有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	9,322
惠州市益生安裝工程有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	34,338
惠州市貝信實業有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	134,766
YAP Siean Sin (Director of the Target Company)	22.40%	160
DUAN Xuefeng (Director of the Target Company)	0%–22.4%	157
		179,072

The above amounts due to related parties are unsecured and repayable on demand.

Charge on Target Company's assets

As at 31 December 2012, certain waste treatment receivable from grantor, existing waste treatment plant and the land 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 did not have any material capital commitment.

Employees

For the year ended 31 December 2012, the total staff costs for the year including directors' emoluments amounted to approximately RMB6.7 million (equivalent to approximately HK$8.4 million). Meanwhile, as at 31 December 2012, the Target Company had a total of approximately 110 staff, who were mostly based in the PRC.

For the eight months ended 31 August 2013

Business review

During the eight months ended 31 August 2013, the average amount of waste treated by the Target Company was approximately 403.8 tons per day and the average electricity to be generated was approximately 136.1 kWh per ton of waste treated. Based on the designed waste treatment capacity of the Existing Waste Treatment Plant of 800 tons per day, the facility utilisation efficiency was approximately 50.5%. The efficiency of electricity generation facility was approximately 32%.

Due to the lack of waste treatment industry experience of the management, the Existing Waste Treatment Plant was not operated effectively that the grid-electricity generated per ton of waste is relatively lower than the designed electricity generation capacity of 200kWh per ton.

Prior to May 2013, the two units of steam turbines were prohibited to generate grid-electricity simultaneously by the power grid, therefore they operated alternately. In May 2013, the two units of steam turbines were approved to generate grid-electricity simultaneously by the power grid, which led to a significant improvement in grid-electricity generated per ton of waste.

As at 31 August 2013, as the upgrading and improvement projects had not been completed, the Target Company could not achieve optimal operation of equipment and facilities. The grid-electricity generated per ton of waste was 136.1 kWh from January to August 2013, which represents an increase of over 40% compared with the previous year. It is expected that grid-electricity generated per ton of waste will be over 220 kWh upon completion of upgrading and improvement.

During the eight months ended 31 August 2013, the conditions of the facilities were worsening due to lack of appropriate maintenance of the Existing Waste Treatment Plant in 2012, which led to frequent suspension in operation. During the eight months period ended 31 August 2013, the incineration facilities and electricity generation facilities were suspended for 15 times and 20 times respectively. During the suspension period, the Target Company was not entitled to any waste treatment fee and electricity tariff. Therefore, the amount of waste treated by the Target Company was lower than the designed waste treatment capacity during the year.

Business plan of the Target Company

In order to improve the poor conditions and inefficiency of the Existing Waste Treatment Plant, the Company has set up a policy for managing regular maintenance and major overhauls, which is expected to become effective from 1 January 2014. Pursuant to the policy, every incinerator shall be suspended for maintenance for one month in aggregate every year, therefore, the average working days of an incinerator shall be about 333 days per annum. It is expected that there shall be two routine maintenance and one major overhaul, the routine maintenance shall take 5 days and the major overhaul shall take 20 days, both in aggregate shall take about one month. The four incinerators shall be examined separately, so as to ensure that three incinerators are in operation when one of them is under repair to ensure that the waste received daily can be treated properly, and the waste treatment fee and electricity fee can be received regularly.

The Company has formed a professional management and technical team with three certified senior engineers and five qualified technicians. The Company has also set up a technical transforming program. The estimated capital expenditures for this program will be RMB9 million by 2013.

The technical transforming program aims to upgrade the Existing Waste Treatment Plant and to meet the requirements of the government. The program consists six sub-projects as set out below:

1. Upgrading the main unit of incinerators including repair of waste incinerator, treatment of the smoking problem of incinerators, repair of air and smoke tube, repair of waste heat boiler and heating surface soot system, ash and slag handling system and electric thermal control system, etc.. The objectives of such improvements are to avoid long-time shut-down due to malfunction during the 3-month consecutive operation of each incinerator, to ensure that the boiler shop will not emit smoke, the waste heat boiler functions safely during the consecutive operation period and to avoid breakdown in the electric thermal control system which may impact the operation of the boiler for a long time.

2. Upgrading the tail gas treatment equipment of incinerators, including replacement of the bags, bag cage and pulse valve of tail gas treatment system, recovery of lime activated carbon system and repair of electric thermal control system and on-line monitoring equipment. The objectives of such improvements are to ensure that the chimney emits no visible black smoke, the random environmental inspection of gas and smoke is up to relevant standards, the affiliated electric thermal control equipment will not cause long-time break down of tail gas treatment system and on-line testing data can guide the operation and adjustment of the incineration line and the smoke and gas emission factors comply with relevant standards.

3. Repair of steam turbine, including repair of rotor, oil system, sealing system, inspection of shaking and over-speeding and full load, etc.. The objectives of such improvements are to ensure normal operation, steady speed and smooth operation of lubrication system to achieve a speed of 6,000h and reach the annual goal of 8,000h.

4. Repair of the roof of the plant, including construction of rain-proof cover for waste heat boiler equipment and waste gat treatment equipment, sealing treatment of dump pit and repair of dump doors. The objectives of such improvements are to guarantee the rain-proof capability of the boiler shop and avoid the damage of electrical thermal control equipment caused by short circuit, guarantee boiler shop's capability of preventing emitting smoke, the rain-proof capability of waste heat boiler and waste gas treatment system and ensure the sealing performance of the dump pit.

5. Construction of deodorising system, including deodorising of the discharging outlet of the dump pit, deodorising and cleaning of the paths leading to the plant for transporting waste and deodorising of other odor sources. The objective of such improvements is to eliminate the odor within the plant.

6. Other small projects such as repair of air compression system and construction of safety protection project.

Upon completion of the improvement works, the annual waste processing quantity can reach over 200,000 tons. Given that the two units of steam turbines generate grid-electricity simultaneously, both the utilisation rate and loads of steam turbines will be over 80%, grid-electricity generated per ton of waste and annual grid-electricity will be improved to over 220 KWh and 44,000,000 KWh respectively. Other improvements such as no visible black smoke from chimney and odor or burning smell within the plant, and a green plant environment can also be assured.

Financial review

Results

For the eight months ended 31 August 2013, the Target Company's revenue was approximately RMB10.2 million (equivalent to approximately HK$12.9 million), representing a decrease of approximately 47.2% as compared with RMB19.3 million (equivalent to approximately HK$24.3 million) for the eight months ended 31 August 2012, whilst gross profit for the eight months ended 31 August 2013 decreased to approximately RMB0.1 million (equivalent to approximately HK$0.1 million) as compared with approximately RMB5.9 million (equivalent to approximately HK$7.4 million) for the eight months ended 31 August 2012, due to the frequent suspension of the Existing Waste Treatment Plant as discussed above.

The breakdown of the cost of sales for the eight months ended 31 August 2013 is as follow:

	Eight months ended 31 August	
	2012	**2013**
	RMB'000	*RMB'000*
Construction cost	1,689	—
Repair and maintenance	4,780	6,507
Direct Labour	2,363	2,078
Electricity, water and fuel	1,799	387
Others	2,772	1,061
	13,403	10,033

Construction cost decreased by 100% due to the completion of construction work on waste treatment plant upgrade in early 2012. Repair and maintenance costs increased by approximately 36.13% due to the technical replacement begun in June 2013. Direct labour costs and electricity, water and fuel decreased by approximately 12.06% and 78.49% due to the frequent suspension in operation during the period.

Other operating expenses included penalty of approximately RMB0.1 million (equivalent to approximately HK$0.1 million) attributable to the late penalty charge of water bill. The overdue water bill had been paid subsequently. The Board considers that the penalty will not materially affect the Target Company after the Acquisition.

Finance costs increased by approximately 37.8% to RMB17.5 million (equivalent to approximately HK$22.1 million), as compared to the same period last year. This was mainly attributable to the increase in interest charges on payables for the construction contract.

For the period ended 31 August 2013, the Target Company's net loss after tax was approximately RMB18.4 million (equivalent to approximately HK$23.2 million), representing an increase of approximately 58.6% as compared with approximately RMB11.6 million (equivalent to approximately HK$14.6 million) for the eight months ended 31 August 2012.

Financial resources, liquidity and gearing ratio

During the eight months ended 31 August 2013, the Target Company had a net cash inflow of approximately RMB0.2 million (equivalent to approximately HK$0.3 million).

Liquidity as measured by the current ratio (which is current assets divided by current liabilities) was 0.1 as at 31 August 2013. 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 August 2013 as the total shareholders' equity was in deficit position.

Foreign exchange exposure

During the eight months ended 31 August 2013, the business activities of the Target Company were mainly denominated in RMB. The Target Company has not adopted 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 RMB170.8 million (equivalent to approximately HK$215.2 million) which were secured by the Target Company's future waste treatment receivable from grantor, existing waste treatment plant and the land and guaranteed by Huizhou Energy(s) Pte. Ltd., the shareholder of the Target Company. As at 31 August 2013, the Target Company's borrowings were denominated in RMB.

Amounts due to related parties

As at 31 August 2013, the Target Company's amounts due to related parties are:

Related Parties	**Interest rate per annum**	**Total**
		RMB'000
Huizhou Energy(s) Pte. Ltd. (Shareholder of the Target Company)	N/A	329
惠州市春昇環保能源發展有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	9,883
惠州市益生安裝工程有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	34,318
惠州市貝信實業有限公司 (Mr. YAP Siean Sin has beneficial interests)	0%–22.4%	140,439
YAP Siean Sin (Director of the Target Company)	0%–22.4%	1,080
DUAN Xuefeng (Director of the Target Company)	0%–22.4%	162
		186,211

The above amounts due to related parties are unsecured and repayable on demand.

Charge on Target Company's assets

As at 31 August 2013, certain waste treatment receivable from grantor, existing waste treatment plant and the land 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 did not have any material capital commitment.

Employees

For the eight months ended 31 August 2013, the total staff costs for the period including directors' emoluments amounted to approximately RMB3.2 million (equivalent to approximately HK$4.0 million). As at 31 August 2013, the Target Company had a total of 102 staff, who were mostly based in the PRC.

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 in 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 "Directors") 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-5 to III-10 of the circular issued by the Company dated 7 December 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 97.85% equity interest of Huizhou Guanghui Energy Company Limited 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
7 December 2013

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 of 97.85% equity interest of the Target Company.

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 the 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 statement of profit or loss and other comprehensive income and the audited statement 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.

B. Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 30 June 2013	The Target Company as at 31 August 2013	Pro forma adjustments		Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 2)	*(Note 3)*				
Non-current assets						
Property, plant and equipment	15,708	280				15,988
Intangible assets	1,584	113,788				115,372
Prepaid lease payments	2,287	—				2,287
Amounts due from grantors for contract work	408,376	199,062				607,438
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		—	163,320		4	163,320
	842,206	313,130	163,320			1,318,656
Current assets						
Trade receivables	566	8,933				9,499
Deposits, prepayments and other receivables	38,435	1,701				40,136
Amounts due from grantors for contract work	10,341	27,692				38,033
Prepaid lease payments	52	—				52
Amount due from an associate	20,997	—				20,997
Bank balances and cash	961,673	648	(273,420)	(3,775)	4(c),6	685,126
	1,032,064	38,974	(273,420)	(3,775)		793,843

	The Group as at 30 June 2013	The Target Company as at 31 August 2013	Pro forma adjustments		Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 2)	*(Note 3)*				
Current liabilities						
Trade payables	24,580	81,118	(81,118)		4(a)(i)	24,580
Other payables and accruals	599,216	58,216	(28,385)		4(a)(i)	629,047
Provisions	207,558	—				207,558
Taxation payable	15,833	—				15,833
Borrowings	186,295	26,208				212,503
Amounts due to related parties		234,626	(234,626)		4(a)(i), 4(b)(i)	—
	1,033,482	400,168	(344,129)	—		1,089,521
Net current liabilities	(1,418)	(361,194)	70,709	(3,775)		(295,678)
Total assets less current liabilities	840,788	(48,064)	234,029	(3,775)		1,022,978
Non-current liabilities						
Convertible notes	160,287	—				160,287
Convertible bonds	78,550	—				78,550
Embedded derivatives	21,373	—				21,373
Borrowings	567,282	189,000				756,282
Deferred tax liabilities	6,670	—				6,670
	834,162	189,000	—	—		1,023,162
	6,626	(237,064)	234,029	(3,775)		(184)
Capital and reserves						
Share capital	186,226	283,494	(283,494)		5	186,226
Reserves	(167,576)	(520,558)	520,558	(3,775)	5,6	(171,351)
Equity attributable to						
Owners of the Company	18,650	(237,064)	237,064	(3,775)		14,875
Non-controlling interests	(12,024)	—	(3,035)		4	(15,059)
	6,626	(237,064)	234,029	(3,775)		(184)

C. 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	Note	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 3)*			
Continuing operations					
Revenue	17,609	27,889			45,498
Cost of sales	(18,081)	(21,990)			(40,071)
Gross (loss) profit	(472)	5,899			5,427
Other income, gains and losses	(27,568)	11,567			(16,001)
Loss on fair value change of embedded derivatives	(16,484)	—			(16,484)
Administrative expenses	(68,057)	(16,709)	(3,775)	6	(88,541)
Share of results of an associate	7,874	—			7,874
Finance costs	(50,839)	(26,712)			(77,551)
Loss before tax	(155,546)	(25,955)	(3,775)		(185,276)
Income tax credit	2,869	—			2,869
Loss for the year from continuing operations	(152,677)	(25,955)	(3,775)		(182,407)
Discontinued operations					
Profit for the year from discontinued operations	4,852	—			4,852
Loss for the year	(147,825)	(25,955)	(3,775)		(177,555)
Loss for the year attributable to					
Owners of the Company	(147,054)	(25,955)	(3,217)	7	(176,226)
Non-controlling interests	(771)	—	(558)	7	(1,329)
Loss for the year	(147,825)	(25,955)	(3,775)		(177,555)

D. 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$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 3)*				
OPERATING ACTIVITIES						
Loss for the year	(147,825)	(25,955)		(3,775)	6	(177,555)
Adjustments for:						
Income tax credit	(2,869)	—				(2,869)
Depreciation of property, plant and equipment	2,252	43				2,295
Amortisation of prepaid lease payments	52	—				52
Write-off of other receivables		774				774
Finance costs	50,839	26,712				77,551
Interest income	(14,055)	(8,995)				(23,050)
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
Impairment loss in respect of intangible assets	—	—				
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	6,776				8,244
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)

	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)*				
Operating cash flows before movements in working capital	(65,703)	(645)	—	(3,775)		(70,123)
Decrease in amount due from grantor of contract work		14,191				14,191
Decrease (increase) in trade receivables, deposits, prepayments and other receivables	16,559	(2,083)				14,476
Increase in amounts due from a shareholder	(2,394)					(2,394)
(Decrease) increase in trade and other payables and accruals	(38,468)	11,147	(141,618)		4(a)(ii)	(168,939)
Increase (decrease) in amounts due to related parties		14,040	(106,602)		4(a)(ii), 4(b)(ii)	(92,562)
Net cash (used in) from operations	(90,006)	36,650	(248,220)	(3,775)		(305,351)
Interest paid	—	(17,115)	—			(17,115)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(90,006)	19,535	(248,220)	(3,775)		(322,466)
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)	(44)				(4,037)
Advance to an associate	(20,025)	—				(20,025)
Repayment from an associate	2,488	—				2,488
Interest received	502	—				502
Disposal of subsidiaries	11,882	—				11,882
Acquisition of subsidiaries	(45,839)	—	(25,056)		8	(70,895)
Proceeds on disposal of property, plant and equipment	272	—				272
Disposal of available-for-sale investment	—	2,898				2,898
Purchase of intangible assets	—	(3,195)				(3,195)
NET CASH USED IN INVESTING ACTIVITIES	(71,229)	(341)	(25,056)	—		(96,626)

	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	—	(18,900)				(18,900)
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
Issue of convertible bonds	100,000	—				100,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	371,409	(18,900)	—	—		352,509
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	210,174	294	(273,276)	(3,775)	6,8	(66,583)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,794)	—				(1,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	54,859	144	(144)		8	54,859
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	263,239	438	(273,420)	(3,775)		(13,518)

E. 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 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 2013 interim report of the Company.

3. Figures are extracted from the statement of financial position as at 31 August 2013 and the statement of profit or loss and other comprehensive income and statement of cash flows for the year ended 31 December 2012 included in the accountant's report of the Target Company as set out in Appendix II to this circular, in which an 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 statement of financial position, statement of profit or loss and other comprehensive income and 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 Acquisition Agreement entered on 9 August 2013, the total Consideration shall be satisfied by cash of RMB20,000,000 (equivalent to approximately HK$25,200,000 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").

   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 approximate their carrying amounts as at 31 August 2013.

   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 this Pro Forma Financial Information may be substantially different from the final amounts of identifiable assets (including intangible assets) and liabilities, the 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 recognition of provisional goodwill and non-controlling interests from the Acquisition as if the Acquisition were completed on 30 June 2013 are as follows:

	HK$'000	*HK$'000*
Cash consideration to acquire 97.85% equity interest of the Target Company:		
Cash consideration		25,200
Less: Non-controlling interests with 2.15% equity interest *(Note)*		(3,035)
Add: Deemed fair value of the net liabilities of the Target Company:		
Net liabilities of the Target Company as at 31 August 2013	237,064	
Add: Waiver of amount due to related parties controlled by the Vendors *(Note 4(b))*	(95,909)	141,155
Provisional goodwill arising on acquisition		163,320

Note: Non-controlling interests is measured at 2.15%, being its proportionate share, of the deemed fair value of the identifiable net liabilities of the Target Company.

The Directors have assessed whether there is any impairment on the provisional goodwill and intangible assets as at 30 June 2013 in accordance with HKAS 36 "Impairment of Assets" and concluded that there is no impairment in respect of the provisional goodwill and intangible assets with an assumed fair value of approximately HK$163,320,000 and HK$113,788,000, respectively, as shown in the pro forma consolidated statement of financial position of the Enlarged Group.

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

(a) Pursuant to the Acquisition Agreement, the Purchaser has agreed to repay the trade payables, other payables and accruals and amounts due to related parties owed by the Target Company amounting to RMB197,000,000 (equivalent to approximately HK$248,220,000 based on the exchange rate of RMB1 to HK$1.26). It is assumed that the amount due to related parties will be repaid first, followed by trade payables, and other payables and accruals will be repaid last.

(i) The repayment of the trade payables, other payables and accruals and amounts due to related parties, as if the Acquisition were completed on 30 June 2013, is as follows:

	HK$'000
Amounts due to related parties *(Note 4(b)(i))*	138,717
Trade payables	81,118
Other payables and accruals	28,385
	248,220

(ii) The repayment of the trade payables, other payables and accruals and amount due to related parties, as if the Acquisition were completed on 1 January, 2012, is as follows:

	HK$'000
Amounts due to related parties *(Note 4(b)(ii))*	106,602
Trade payables	62,823
Other payables and accruals	78,795
	248,220

(b) In accordance with the Acquisition Agreement, in the event that the amount of the total liabilities of the Target Company as at March 31, 2013, including trade and other payables and accruals, amount due to related parties and bank borrowings (the "Liabilities"), is higher than RMB378,000,000 (equivalent to approximately HK$476,280,000 based on the exchange rate of RMB1 to HK$1.26), the amount due to related companies controlled by the Vendors will be waived by the amount of Liabilities in excess of RMB378,000,000 (the "Excess Balance"). In the event that the Excess Balance is larger than the amount due to related companies controlled by the Vendors, the Vendors are required to compensate the Purchaser and/or the Target Company for the excess amount.

(i) Effect as if the Acquisition were completed on 30 June 2013:

	HK$'000
Liabilities of the Target Company as at March 31, 2013: *(Note)*	
Trade and other payables and accruals	111,229
Amount due to related parties	227,434
Bank borrowings, secured	233,526
	572,189
Less: Cap on the amount of Liabilities of the Target Company to be acquired	(476,280)
Amounts due to related companies controlled by the Vendors waived	95,909

The amounts due to related parties as at August 31, 2013 is adjusted as follows:

	HK$'000
Amounts due to related parties	234,626
Less: amounts due to related parties waived	(95,909)
Amounts due to related parties to be repaid *(Note 4(a)(i))*	138,717

(ii) Effect as if the Acquisition were completed on 1 January, 2012:

It is assumed that the amounts due to related parties controlled by the Vendors waived of HK$95,909,000 as determined on 31 March, 2013 is the absolute amount that would be waived by the related parties on 1 January, 2012. The amount due to related parties as at 1 January 2012 is adjusted as follows:

	HK$'000
Amounts due to related parties *(Note)*	202,511
Less: amount due to related parties waived	(95,909)
Amounts due to related parties to be repaid *(Note 4(a)(ii))*	106,602

Note: The figures are extracted from the unaudited management account of the Target Company as at March 31, 2013 and 1 January 2012 respectively.

(c) The bank balances and cash as at 30 June 2013 is adjusted as follows:

	HK$'000
Cash consideration paid on Acquisition	25,200
Add: Repayment of trade payables, other payables and accruals and amounts due to related parties *(Note 4(a))*	248,220
	273,420

5. The adjustment represents the elimination of share capital of the Target Company amounting to HK$283,494,000 and pre-acquisition deficit of the Target Company amounting to HK$520,558,000.

6. The adjustment represents the estimated acquisition-related legal and professional expenses amounting to HK$3,775,000 which would be recognised in profit or loss upon Completion.

7. The adjustment represents the allocation of loss for the year to non-controlling interests.

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

	HK$'000
Cash consideration	25,200
Less: Cash and cash equivalent balances acquired	(144)
	25,056
Add: Repayment of trade payables, other payables and accruals and amounts due to related parties *(Note 4(a))*	248,220
	273,276

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

10. No adjustments were made in the Pro Forma Financial Information to reflect the effect of the Group's proposed acquisition of approximately 55% of the equity interests in 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 Limited*) at a consideration of RMB118.8 million (equivalent to approximately HK$149.7 million). Details of such proposed acquisition were disclosed in the Company's announcement dated 5 September 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 the entire business enterprise in the Target Company.

JONES LANG LASALLE® 仲量聯行
Real value in a changing world

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tel +852 2846 5000 fax +852 2169 6001
License No: C-030171

7 December 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 the entire business enterprise in Huizhou Guanghui Energy Company Limited (the "**Target Company**"), as at 31 August 2013 (the "**Valuation Date**"), for acquisition reference. The report which follows is dated 7 December 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

Capital Solid Green Energy Investment Limited (the "**Purchaser**"), a company incorporated in Hong Kong with limited liabilities and a wholly-owned subsidiary of New Environmental Energy Holdings Limited, has conditionally agreed to acquire, and Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd. (together, the "**Vendors**") have conditionally agreed to sell 97.85% equity interest in the Target Company according to the acquisition agreement (the "**Acquisition Agreement**") dated 9 August 2013.

The Target Company was established in the PRC with registered capital of RMB245,600,000. On 3 August 2001, Huizhou Government (the "**Huizhou Government**") and the Target Company entered into a cooperation agreement (the "**Existing Cooperation Agreement**"), pursuant to which, the parties agreed to cooperate in the operation of a waste treatment plant (the "**Existing Waste Treatment Plant**") located in Gonglian Village, Huizhou City, Guangdong Province, the PRC, for waste treatment and waste-to-energy generation, in the form of "**Build-Operate-Transfer**" (BOT) for 27 years. In view of the historical performance of the Existing Waste Treatment Plant, the Huizhou Government considered the need to construct a new waste treatment plant (the "**New Waste Treatment Plant**") with higher production efficiency and larger capacity in Huizhou in place of the Existing Waste Treatment Plant to improve the productivity.

On 20 August 2013, the Huizhou Government, the Target Company and the Purchaser entered into the New Cooperation Agreement in respect of the construction and operation of the New Waste Treatment Plant. The New Cooperation Agreement superseded the Existing Cooperation Agreement. Pursuant to the New Cooperation Agreement, the Existing Waste Treatment Plant will continue to operate not more than three years following the signing of the New Cooperation Agreement, by then it will be demolished and be replaced by the New Waste Treatment Plant. The New Waste Treatment Plant will also be operated in the form of BOT for a term of 30 years. During 2013 to 2015, the Huizhou Government will provide compensation to the Target Company for the operation of the Existing Waste Treatment Plant. Construction of the New Waste Treatment Plant is expected to be completed in 2015 and the plant is expected to commence operation in 2016. The Huizhou Government will procure not less than 540,000 tons of municipal solid waste per year for the New Waste Treatment Plant to process for power generation.

On 28 March 2012, National Development and Reform Commission (NDRC) issued the Circular on Improving the Pricing Policy of Waste Incineration Power Generation (Fa Gai Jia Ge [2012] No. 801), which stipulates that for waste incineration power generation projects using municipal waste as raw materials, price of on-grid electricity is determined by translating the amounts of processed waste into on-grid electricity and assuming each ton of waste will generate 280 kWh of on-grid electricity. The national standardized benchmark on-grid tariff for waste generated electricity of RMB0.65 per kWh will be applied to this translated on-grid electricity. The price of local on-grid tariff for coal-fired generating units of the same class will be applied on the portion exceeding the translated on-grid electricity, if any.

The New Waste Treatment Plant will introduce advanced incineration technology, which has been fully validated in China and overseas. The plant will import core equipment and its process is in compliance with national and industry standards and requirements, with the overall construction of first-class level in China. The technology adopted by the Huizhou New Plant will be more advanced than Pinghu Waste Incineration Power Plant, which is currently operated by the Company in Shenzhen. The on-grid electricity generated per ton of waste treated by Pinghu Waste Incineration Power Plant is over 270kWh. In view of operation condition of other waste incineration power plants in China, the on-grid electricity generated per ton of waste treated can reach 280 kWh. It is an optimal capacity that the Target Company will try to keep in order to achieve optimal economic efficiency.

Business Plan

The following paragraphs summarise the business plan provided by the management of the Target Company.

The Existing Waste Treatment Plant is upgrading the existing facilities and equipment as at the Valuation Date to improve efficiency and minimize suspensions. It is estimated the amount of RMB9,000,000 will be invested in 2013. As the upgrading and improvement projects haven't completed as at the Valuation Date, the operation of equipment and facilities doesn't achieve their optimal condition. The grid-electricity generated per ton of waste from January to August 2013 was 136 kWh, an increase of over 40% compared with the previous year. Upon completion of upgrading, it is expected that grid-electricity generated per ton of waste treated will be over 220 kWh, and the waste treatment capacity will be approximately 600 tons per day. In addition, the Target Company has set up a policy for managing regular maintenance and major overhauls that every incinerator shall be suspended for maintenance for one month in aggregate every year, therefore, the average working days of an incinerator shall be about 333 days per annum.

The investment budget for the New Waste Treatment Plant is approximately RMB564,000,000. The New Waste Treatment Plant has a 2-year construction period, and it is expected to commence operation in 2016, with the designed waste treatment capacity of 1,600 ton per day. During the first few years after the completion of the New Waste Treatment Plan, the intake of waste is expected to be approximately 75%–85% of designed capacity. It is anticipated that the intake of waste of the New Waste Treatment Plant will increase year after year.

With the improvement of living standards and changes in consumption patterns and life styles, components such as paper and plastic (disposable plastic, paper packaging, etc.) of municipal waste in Huizhou City will increase. With popularity of waste sorting, sediment and other non-combustible materials will gradually decline, and recyclable materials such as metal and glass will also decrease. Therefore, combustible contents in waste will increase rapidly, while calorific value of waste will be significantly improved. It is expected that the ultimate grid-electricity generated per ton of waste treated can achieve 280 kWh in 2021.

In view of the technical specifications of the equipment and technological process which will be adopted by the New Waste Treatment Plant, the average working days of an incinerator shall be about 360 days per annum, and the capital expenditures for maintenance and upgrading will be required every five years during the forecast period.

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 New Waste Treatment Plant 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 enterprise 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 the entire business enterprise 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 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;
- Operation statistics of certain waste treatment plants prepared by the management 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 the entire business enterprise 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 Valuation

Major assumptions related to the projection of financial performance under the discounted cash flow method are listed below:

Forecast Period

According to the Existing Cooperation Agreement, the Existing Waste Treatment Plant started operation on 3 August 2001 in the form of "Build-Operate-Transfer" (BOT), and will end the 27-year of concessionary period on 3 August 2028.

However, pursuant to the New Cooperation Agreement, the Existing Waste Treatment Plant will continue to operate not more than three years following the signing of the New Cooperation Agreement, by then it will be demolished and be replaced by the New Waste Treatment Plant. The New Waste Treatment Plant will also be operated in the form of BOT for a term of 30 years.

Based on the above mentioned agreements, the forecast period is estimated to be from September 2013 to 2043 in this valuation exercise.

Financial Forecast

With reference to forecast provided by the management of the Target Company and the New Cooperation Agreement, it is assumed the following performance could be achieved with the effort of the Target Company's management. All forecasts in this exercise are in real term without consideration of inflation effects.

Revenue

The revenue is mainly generated from the on-grid electricity tariff and the government subsidy.

- *On-grid Electricity Tariff*

With reference to the on-grid electricity tariff set out in the Existing Cooperation Agreement and the New Cooperation Agreement, the on-grid electricity tariff during the whole forecast period are estimated as follows:

Unit: RMB/ kWh	2013. 9–12	2014	2015	2016	2017	2018	2019	2020	2021	2022–2043
On-grid Electricity Tariff	0.61	0.61	0.61	0.65	0.65	0.65	0.65	0.65	0.65	0.65

- *Subsidy on Waste Treatment*

With reference to the subsidy on waste treatment per ton stipulated in the New Cooperation Agreement, the unit subsidy during the whole forecast period is estimated as follows:

Unit: RMB/Ton	2013. 9–12	2014	2015	2016	2017	2018	2019	2020	2021	2022–2043
Subsidy	121	133	146	146	146	146	146	146	146	146

- *Subsidy to Existing Waste Treatment Plant*

With reference to the New Cooperation Agreement, the Huizhou Government has agreed to provide subsidy of RMB50,000,000 to Existing Waste Treatment Plant. The government subsidy is structured to be paid in three years starting from the year 2013, each year with the amount of RMB16,666,667.

- *Quantities of Waste Treated*

With reference to the business plan of the Target Company, the historical production record of the Target Company and the relevant terms set out in the Existing Cooperation Agreement, the quantities of waste treated during the whole forecast period are estimated as follows:

Unit: ’000 Ton	2013. 9–12	2014	2015	2016	2017	2018	2019	2020	2021	2022–2043
Quantity	67	200	200	432	450	468	486	504	522	540

According to the New Cooperation Agreement, the Huizhou Government will provide not less than 540,000 tons of waste to the New Waste Treatment Plant each year. The amount of subsidy which the Huizhou Government shall pay to the Target Company for waste treatment service will be calculated based on 540,000 tons of waste.

- *On-grid Electricity Generated per Ton of Waste Treated*

With reference to the business plan of the Target Company and the equipment conditions of the Existing Waste Treatment Plant, the on-grid electricity generated per ton of waste treated during the whole forecast period is estimated as follows:

Unit: kWh/Ton	2013. 9–12	2014	2015	2016	2017	2018	2019	2020	2021	2022–2043
Grid-electricity Generated	200	210	220	230	240	250	260	270	280	280

Cost

Based on the information provided by the management of the Target Company, costs include the costs for purchasing raw materials, labor cost and repairs cost.

- *Cost of Raw Materials per Ton of Waste Treated*

With reference to the market prices of different types of raw materials, the production efficiency of the Existing Waste Treatment Plant and the production processes technologies and equipment will be adopted by the New Waste Treatment Plant provided by the management of the Target Company, the projected cost of raw materials per ton of waste treated is estimated as follows:

Unit: RMB/Ton	2013. 9–12	2014	2015	2016	2017	2018	2019	2020	2021	2022–2043
Materials Cost	51	51	51	33	33	33	33	33	33	33

- *Labor Cost and Repairs Cost*

With reference to labor component, equipment types provided by the management of the Target Company separately, the projected labor cost and repairs cost is estimated as follows:

Unit: '000 RMB/Year	2013. 9–12	2014	2015	2016	2017	2018	2019	2020	2021	2022–2043
Labor Cost	2,000	6,000	6,000	8,310	8,310	8,310	8,310	8,310	8,310	8,310
Repairs Cost	667	2,000	2,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000

Income Tax

According to the Enterprise Income Tax Law of the PRC, the Implementation Regulations for the Enterprise Income Tax Law of the PRC, and the Notice on Promulgation of the Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Saving Programs (Trial), the management of the Target Company believes that the New Waste Treatment Plant is an eligible project to enjoy the enterprise income tax preference treatment of "3-year full tax exemption and 3-year half tax payment". The effective income tax rate is assumed as follows:

	2013. 9–12	2014	2015	2016	2017	2018	2019	2020	2021	2022–2043
Income Tax Rate	25%	25%	25%	0%	0%	0%	12.5%	12.5%	12.5%	25%

Capital Expenditures and Depreciation

In the estimation of the PRC income tax expenses in the forecast period, the expenditures by the Target Company on property, plant and equipment as well as land are classified as fixed assets and assumed to be depreciated using the straight line method according to the PRC accounting rules with the corresponding amounts in the Target Company's management account adopted. The basis of determining the depreciation is as follows:

Fixed Assets	Net Book Value *(RMB'000)*	Usage Life	Residual Rate
Building and Construction	85,711	21	10%
Machinery	396,415	21	10%
Office Equipment	222	5	10%
Land	3,336	27	0%

With reference to the maintenance plan of the Existing Waste Treatment Plant and the investment plan of the New Waste Treatment Plant provided by the Target Company, the capital expenditures during the whole forecast period are assumed as follows:

RMB'000	**2013. 9–12**	**2014**	**2015**	**2016**	**2017**	**2018**
Capital Expenditures	9,000	260,000	299,000	—	—	—
RMB'000	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Capital Expenditures	—	40,000	—	—	—	—
RMB'000	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Capital Expenditures	50,000	—	—	—	—	40,000
RMB'000	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Capital Expenditures	—	—	—	—	50,000	—
RMB'000	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**
Capital Expenditures	—	—	—	40,000	—	—
RMB'000	**2043**					
Capital Expenditures	21,080					

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 adopted in the calculation of the discount rate are presented as follows:

Company Name	Stock Code
China Everbright International Limited	257
China Power New Energy Development Company Limited	735
Dongjiang Environmental Company Limited	895
New Environmental Energy Holdings Limited	3989
GCL-Poly Energy Holdings Limited	3800

Weighted Average Cost of Capital

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

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

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	1.00	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	6%	Pursuant to market practice, the company specific risk premium would be within a range of 1% to 3%. Having considered the Target Company is a private company, and other specific risks of the Target Company, including but not limited to, the uncertainties on the implementation of the Business Plan of the Target Company, in particular, the planned improvements to the Existing Waste Treatment Plant and the construction and operation of the New Waste Treatment Plant, the specific risk of the Target Company is considered to be significant, as such 6% company specific risk premium is adopted.
Cost of Equity	24.82%	

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	24.82%	
Cost of Debt	4.91%	Long-term (over 5-year) benchmark leading rate per People's Bank of China (After tax)
Debt/Equity	1.26	D/E ratio of average of comparable listed companies
Nominal WACC	13.73%	
Real Term WACC	10.42%	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.

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. According to the current policy, the Existing Cooperation Agreement, and the New Cooperation Agreement, the Target Company is receiving the subsidy from the Huizhou Government for waste treatment and the operation of the Existing Waste Treatment Plant, which are the main sources of the revenue of the Target Company. There is no assurance that the Huizhou Government will not withdraw this waste treatment subsidy, and cancel or paid in time of the operation subsidy in the future. Any policy changes regarding the subsidies for the waste treatment provided by the Huizhou 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 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 the entire business enterprise in the Target Company is reasonably stated at the amount of RMB401,000,000 (RENMINBI FOUR HUNDRED AND ONE 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 of the Target Company contained in Appendix IV to this circular.

Grant Thornton
致同

REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF HUIZHOU GUANGHUI ENERGY COMPANY LIMITED

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 7 December 2013 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the market value of the entire business enterprise in Huizhou Guanghui Energy Company Limited (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 7 December 2013 (the "Circular") in connection with the acquisition of the 97.85% 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-6 to IV-11 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

7 December 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 the entire business enterprise in 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

Date: 7 December 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 the entire business enterprise of 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) (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 7 December 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 7 December 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 31 August 2013, the Target Company has been involved in three pending litigations relating to the construction contracts with total claim amount of approximately RMB14,832,000 (equivalent to approximately HK$18.7 million). Based on the legal opinion obtained by the Target Company, the directors of the Target Company consider that it has valid grounds of defends and there will not be any material adverse impact to the Target Company's operations and on the financial positions and results of the Target Company.

The Target Company was also involved in two litigations retailing to purchase and set up of plant and machinery and fixtures, as a defendant which had been adjudicated by the Huizhou City People's Court and Huizhou Arbitration Commission in the PRC. The total obligation against the Target Company amounted to approximately RMB4,723,000 (equivalent to approximately HK$6.0 million). In 2013, the Target Company filed an appeal to the Huizhou City Intermediate People's Court and an objection to Huizhou Arbitration Commission. As at 31 August 2013, these two cases were in the progress of retrial at the Huizhou City People's Court and arbitration at Huizhou Arbitration Commission. The directors of the Target Company consider that any resulting liabilities will not have material adverse effect on the financial position or operating results of the Target Company.

Save as the aforesaid, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by and against any member of the Enlarged Group as at the Latest Practicable Date.

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
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 Deloitte Touche Tohmatsu, Grant Thornton, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Quam Capital Limited 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 Acquisition Agreement;

(m) the sale and purchase 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*), an indirect wholly-owned subsidiary of the Company, 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*) in relation to the acquisition 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 Vechicles and Household Appliances Dismantling Recycling Ltd.*) at a consideration of RMB118.8 million;

(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 Acquisition 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 of 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 10:00 a.m. on Monday, 23 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 "**Acquisition Agreement**") dated 9 August 2013 entered into among Capital Solid Green Energy Investment Limited, Richway Investment Management Limited and Huizhou Energy(s) Pte. Ltd. in relation to the sale and purchase of aggregate 97.85% interest of 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) (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 Acquisition 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

Hong Kong, 7 December 2013

* *For identification purpose only*

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 7 December 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.