CHINA NEW ENERGY POWER GROUP LIMITED

中國新能源動力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The board (the "Board") of directors (the "Director(s)") of China New Energy Power Group Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 and the comparative figures as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000 (Restated)
Continuing operations			
Turnover	*3*	**125**	–
Cost of sales		**–**	–
Gross profit		**125**	–
Other income	*4*	**823**	40
Other gains and losses	*5*	**199,527**	(703,215)
Administrative expenses		**(38,141)**	(51,254)
Other expenses		**(23,000)**	–
Finance costs	*6*	**(39,849)**	(25,869)
Profit (loss) before taxation		**99,485**	(780,298)
Taxation	*7*	**–**	–
Profit (loss) for the year from continuing operations		**99,485**	(780,298)
Discontinued operation			
Loss for the year from discontinued operation	*8*	**(68,829)**	(4,749)
Profit (loss) for the year	*9*	**30,656**	(785,047)
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**2,613**	5,673
Total comprehensive income (expense) for the year		**33,269**	(779,374)

	NOTES	2011 HK$'000	2010 HK$'000 (Restated)
Profit (loss) for the year attributable to:			
Owners of the Company		**60,886**	(783,381)
Non-controlling interests		**(30,230)**	(1,666)
		30,656	(785,047)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**61,543**	(780,030)
Non-controlling interests		**(28,274)**	656
		33,269	(779,374)
EARNINGS (LOSS) PER SHARE	*10*		
From continuing and discontinued operations			
– Basic		**HK1.33 cents**	HK(22.41) cents
– Diluted		**HK(1.59) cents**	HK(24.35) cents
From continuing operations			
– Basic		**HK2.25 cents**	HK(22.27) cents
– Diluted		**HK(1.10) cents**	HK(24.28) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**4,118**	3,723
Prepaid lease payments		**5,230**	5,150
Interests in associates		**–**	–
Other investments		**–**	–
Club debenture		**–**	–
		9,348	8,873
Current assets			
Inventories		**–**	45,378
Properties under development		**576,810**	512,571
Held-for-trading investments		**43,178**	95,002
Trade and other receivables	*11*	**25,297**	78,582
Deposits and prepayments		**7,796**	36,635
Bank balances and cash		**30,226**	143,492
		683,307	911,660
Current liabilities			
Trade and other payables	*12*	**52,144**	76,446
Amounts due to associates		**–**	3,767
Amounts due to directors of subsidiaries		**4,388**	4,388
Amounts due to non-controlling shareholders of subsidiaries		**32,057**	9,613
Taxation payable		**–**	2,577
Obligation under a finance lease		**77**	77
Convertible notes		**595,797**	–
Bank and other borrowings – amount due within one year		**1,523**	79,991
		685,986	176,859
Net current (liabilities) assets		**(2,679)**	734,801
Total assets less current liabilities		**6,669**	743,674

	2011	2010
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible notes	**–**	792,028
Obligation under a finance lease	**–**	77
	–	792,105
	6,669	(48,431)
Capital and reserves		
Share capital	**35,465**	354,722
Reserves	**(244,149)**	(624,949)
Capital deficiency attributable to owners of the Company	**(208,684)**	(270,227)
Non-controlling interests	**215,353**	221,796
	6,669	(48,431)

NOTES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that, as of 31 December 2011, the Group had current liabilities which exceeded its current assets by HK$2,679,000, out of which convertible notes with an aggregate carrying amount of HK$595,797,000, and principal amount of HK$396,000,000 will be due for redemption within twelve months from the end of the reporting period. To address the liquidity issue, the Group obtained an undertaking from a shareholder and Joint Chairman of the Company, Mr. Zhang Xi ("Mr. Zhang"), who has agreed to provide the Group with financial support in meeting the Group's daily financial obligations as they fall due in the foreseeable future. In addition, the Group is in the process of raising additional funds from share placing and as of the date of this report, the Company has obtained indication from several potential investors that they intend to subscribe for new shares of the Company in the sum of not less than HK$150,000,000. The proceeds from the share placing will be used as general working capital for the Group. As at the date of approval for issuance of these consolidated financial statements, certain convertible note holders have given notices to the Company through the placing agent that they intend to convert their convertible notes with an aggregate principal amount of HK$306,000,000 into new shares of the Company. Furthermore, the Company is in the process of obtaining new bank borrowings to finance its property development business through the pledge of its equity interest in the property development project.

The directors of the Company are of the view that available funds will be available to meet the Group's financial obligations as and when they fall due in the foreseeable future, taking into account the abovementioned measures implemented and accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement
HK (IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

The application of the new and revised HKFRSs in the current year has had no effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 7	Disclosures – Transfers of financial assets[1]
	Disclosures – Offsetting financial assets and financial liabilities[2]
Amendment to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax – Recovery of underlying assets[4]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for 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 recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future shall have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 13 Fair value measurement

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

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

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will not have effect on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

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

3. TURNOVER AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. Reported segment information is based on internal management reporting information that is regularly reviewed by the board of directors, being the CODM of the Group. The measurement policies the Group used for segment reporting are the same as those used in its HKFRS financial statements.

The Group's operations are organised based on the four business activities described below. Similarly, the information reported to the CODM is also prepared on such basis. Accordingly, the operating and reportable segments of the Group are as follows:

- Investments in securities – trading of securities;
- Property development – development of properties held for sale;
- Timber – manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products; and
- Food processing and distribution – processing and distribution of frozen seafood products.

The operations of investment in securities and property development were introduced to the Group in 2010. The operation of timber business was discontinued in the current year, whilst the operation of food processing and distribution was discontinued in 2010.

Turnover from investment in securities business represents dividend income from held-for-trading investments and turnover from timber business represents revenue from sales of goods.

(a) Segment turnover and results

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

For the year ended 31 December 2011

	Continuing operations			Discontinued operation	
	Investment in securities *HK$'000*	**Property development** *HK$'000*	**Total** *HK$'000*	**Timber** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER					
External sales	**125**	**–**	**125**	**76,556**	**76,681**
RESULT					
Segment result	**(36,312)**	**(7,925)**	**(44,237)**	**(86,317)**	**(130,554)**
Unallocated corporate income			**823**	**944**	**1,767**
Unallocated corporate expenses			**(53,216)**	**(2,012)**	**(55,228)**
Other gains and losses			**235,964**	**21,477**	**257,441**
Finance costs			**(39,849)**	**(2,921)**	**(42,770)**
Profit (loss) for the year			**99,485**	**(68,829)**	**30,656**

For the year ended 31 December 2010

	Continuing operations			Discontinued operations			
	Investment in securities *HK$'000*	Property development *HK$'000*	Total *HK$'000*	Timber *HK$'000*	Food processing and distribution *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	–	–	–	101,886	17,636	119,522	119,522
RESULT							
Segment result	(8,861)	(3,962)	(12,823)	5,829	(784)	5,045	(7,778)
Unallocated corporate income			40			12,024	12,064
Unallocated corporate expenses			(47,292)			(19,248)	(66,540)
Other gains and losses			(694,354)			1,631	(692,723)
Finance costs			(25,869)			(4,201)	(30,070)
Profit (loss) for the year			(780,298)			(4,749)	(785,047)

(b) Segment assets and liabilities

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

At 31 December 2011

	Continuing operations		
	Investment in securities *HK$'000*	**Property development** *HK$'000*	**Consolidated** *HK$'000*
ASSETS			
Segment assets	**43,178**	**576,810**	**619,988**
Unallocated corporate assets			**72,667**
Consolidated total assets			**692,655**
LIABILITIES			
Segment liabilities	**–**	**15,820**	**15,820**
Unallocated corporate liabilities			**670,166**
Consolidated total liabilities			**685,986**

At 31 December 2010

	Continuing operations			Discontinued operation	
	Investment in securities *HK$'000*	Property development *HK$'000*	Total *HK$'000*	Timber *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	95,002	512,571	607,573	100,349	707,922
Unallocated corporate assets			141,815	70,796	212,611
Consolidated total assets			749,388	171,145	920,533
LIABILITIES					
Segment liabilities	–	244	244	20,922	21,166
Unallocated corporate liabilities			865,327	82,471	947,798
Consolidated total liabilities			865,571	103,393	968,964

The Group's unallocated corporate assets at the end of the reporting period mainly consist of other investments, club debentures, bank balances and cash and certain other receivables and prepayments. The Group's unallocated corporate liabilities at the end of the reporting period mainly consist of amounts due to associates/directors of subsidiaries/non-controlling shareholders of subsidiaries, convertible notes, bank and other borrowings and certain other creditors and accrued charges.

(c) **Other segment information**

For the year ended 31 December 2011

	Continuing operations				Discontinued operation	
	Investment in securities *HK$'000*	**Property development** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*	**Timber** *HK$'000*	**Consolidated** *HK$'000*
Information included in segment results/segment assets:						
Additions to property, plant and equipment	**–**	**964**	**341**	**1,305**	**–**	**1,305**
Amortisation of prepaid lease payments	**–**	**–**	**117**	**117**	**–**	**117**
Depreciation of property, plant and equipment	**–**	**836**	**204**	**1,040**	**–**	**1,040**
Allowance for bad and doubtful debts	**–**	**–**	**–**	**–**	**21,412**	**21,412**
Allowance for inventories	**–**	**–**	**–**	**–**	**41,462**	**41,462**
Deposits and prepayments written off	**–**	**–**	**–**	**–**	**2,789**	**2,789**
Net loss on held-for-trading investments	**36,437**	**–**	**–**	**36,437**	**–**	**36.437**

For the year ended 31 December 2010

	Continuing operations				Discontinued operations		
	Investment in securities *HK$'000*	Property development *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Timber *HK$'000*	Food processing and distribution *HK$'000*	Consolidated *HK$'000*
Information included in segment results/segment assets:							
Additions to property, plant and equipment	–	2,117	1,343	3,460	2,282	–	5,742
Amortisation of prepaid lease payments	–	–	–	–	326	–	326
Depreciation of property, plant and equipment	–	138	353	491	8,342	–	8,833
Net loss on held-for-trading investments	8,861	–	–	8,861	–	–	8,861

Substantially all of the Group's operations are located in the People's Republic of China (the "PRC") (country of domicile) and Hong Kong.

Included in the Group's non-current assets are amount of HK$217,000 (2010: HK$347,000) of property, plant and equipment which are located in Hong Kong and all the remaining non-current assets are located in the PRC (place of domicile of the group entities that hold such assets).

Included in the Group's turnover were dividend income generated from investment in securities and were derived from Hong Kong, all remaining turnover from discontinued operation(s) were derived from the PRC.

(d) **Information about major customers**

Turnover (included in discontinued operation) from customers of the corresponding years contributing 10% of the total sales of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Customer A[1]	**14,807**	14,516
Customer B[1, 2]	**10,754**	N/A
Customer C[1, 2]	**8,119**	N/A

1 Turnover from the timber segment

2 The corresponding turnover does not contribute over 10% of the total sales of the Group in 2010.

4. OTHER INCOME

	Continuing operations		**Discontinued operation(s)**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Value added tax refund *(note a)*	**–**	–	**–**	6,669	**–**	6,669
Interest income	**774**	23	**944**	943	**1,718**	966
Sales of scrap materials	**–**	–	**2,136**	295	**2,136**	295
Sub-contracting income	**–**	–	**–**	1,235	**–**	1,235
Government grants *(note b)*	**–**	–	**1,906**	2,030	**1,906**	2,030
Others	**49**	17	**1,135**	1,540	**1,184**	1,557
	823	40	**6,121**	12,712	**6,944**	12,752

Notes:

(a) Certain subsidiaries of the Company established in the PRC are engaged in the production of wooden products which require the use of raw materials that are environmental friendly. Pursuant to the relevant rules and regulations of the PRC governing the value added tax ("VAT"), such subsidiaries were entitled to a VAT refund totalling HK$6,669,000 for the year ended 31 December 2010 (nil for the year ended 31 December 2011).

(b) Government grants represents compensation received for expenditures incurred in relation to energy saving and waste reduction for the Group's timber related business in 2010 and 2011 and other subsidies granted for the Group's food processing and distribution business in 2010. There were no unfulfilled conditions attached to these grants and, therefore, the Group recognised the grants as income upon receipts.

5. OTHER GAINS AND LOSSES

	Continuing operations		**Discontinued operation(s)**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Net gain (loss) on derivative financial instruments and warrants	**235,964**	(731,671)	**–**	–	**235,964**	(731,671)
Gain on early redemption of convertible notes	**–**	37,317	**–**	–	**–**	37,317
Gain on disposal of subsidiaries *(note 8)*	**–**	–	**21,477**	1,631	**21,477**	1,631
Net loss on held-for-trading investments	**(36,437)**	(8,861)	**–**	–	**(36,437)**	(8,861)
	199,527	(703,215)	**21,477**	1,631	**221,004**	(701,584)

6. FINANCE COSTS

	Continuing operations		Discontinued operation(s)		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:						
– borrowings from banks and other financial institutions wholly repayable within five years	**–**	575	**2,921**	4,201	**2,921**	4,776
– other borrowings	**116**	113	**–**	–	**116**	113
Effective interest expense on convertible notes wholly repayable within five years	**39,733**	25,181	**–**	–	**39,733**	25,181
	39,849	25,869	**2,921**	4,201	**42,770**	30,070

7. TAXATION

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for both years.

No provision for PRC Enterprise Income Tax has been made as the subsidiaries incorporated in the PRC have no assessable profits for both years.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit (loss) before taxation (from continuing operations)	**99,485**	(780,298)
Tax at the domestic income tax rate of 25% (2010: 25%) *(note)*	**24,871**	(195,075)
Tax effect of expenses not deductible for tax purpose	**17,492**	187,144
Tax effect of income not taxable for tax purpose	**(59,171)**	(10,644)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	–
Tax effect of tax losses not recognised	**16,808**	18,575
Taxation for the year (relating to continuing operations)	**–**	–

Note: The domestic income tax rate of 25% (2010: 25%) represents the PRC Enterprise Income Tax rate of which the Group's operations are substantially based.

At the end of the reporting period, the Group had unused tax losses of HK$272,991,000 (2010: HK$213,446,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$3,201,000 (2010: HK$7,687,000) that will expire to 2012 (2010: 2011). Other losses can be carried forward indefinitely.

In addition, the Group has unrecognised deductible temporary differences of HK$260,210,000 arising from the difference between the tax written down value and carrying value of property, plant and equipment and prepaid lease payments for certain PRC subsidiaries at 31 December 2011. At 31 December 2010, the Group has unrecognised deductible temporary difference of HK$257,951,000 arising from allowance for bad and doubtful debts and slow moving inventories, as well as the difference between the tax written down value and carrying value of property, plant and equipment and prepaid lease payments for certain PRC subsidiaries at the end of the reporting period. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit for these subsidiaries will be available against which the deductible temporary differences can be utilised.

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES

(a) Disposal of timber operation

On 18 November 2011, the Group entered into an agreement with Intelligence International Limited (the "Purchaser"), a company incorporated in the British Virgin Islands, to dispose all of its entire interests in Wood Art International Corporation ("Wood Art") and its subsidiaries (the "Disposal Group"), which carried out all of the Group's timber operation (the "Disposal"). The Purchaser is an independent third party of the Group. The Disposal was approved by the shareholders of the Company and completed on 29 December 2011.

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

	1.1.2011 to 29.12.2011	1.1.2010 to 31.12.2010
	HK$'000	*HK$'000*
Loss of timber operation for the year	**(90,306)**	(411)
Gain on disposal of timber operation	**21,477**	–
	(68,829)	(411)

The results of the Disposal Group for the period from 1 January 2011 to 29 December 2011, which have been included in the consolidated statement of comprehensive income and presented as discontinued operation were as follows:

	1.1.2011 to 29.12.2011	1.1.2010 to 31.12.2010
	HK$'000	*HK$'000*
Turnover	**76,556**	101,886
Cost of sales	**(116,453)**	(96,057)
Gross profit	**(39,897)**	5,829
Other income	**6,121**	12,024
Selling and distribution costs	**(6,514)**	(8,570)
Administrative expenses	**(22,894)**	(5,764)
Other expenses	**(24,201)**	–
Finance costs	**(2,921)**	(3,930)
Loss for the period/year	**(90,306)**	(411)
(Loss) profit for the period/year attributable to:		
Owners of the Company	**(63,202)**	(456)
Non-controlling interests	**(27,104)**	45
	(90,306)	(411)

During the current year, the Disposal Group contributed an outflow of HK$45,681,000 (2010: inflow of HK$5,355,000) to the Group's net operating cash flows, cash inflow of HK$944,000 (2010: paid HK$1,858,000) in respect of investing activities and cash outflow of HK$2,921,000 (2010: HK$3,691,000) in respect of financing activities.

	HK$'000
Consideration received:	
Cash consideration	100

Analysis of assets and liabilities of the Disposal Group at the date of disposal and 31 December 2010 were as follows:

	29.12.2011 ***HK$'000***	31.12.2010 *HK$'000*
Property, plant and equipment	**–**	–
Prepaid lease payment	**–**	–
Interests in associates	**–**	–
Inventories	**21,028**	44,480
Trade and other receivables	**29,643**	55,869
Bank balances and cash	**23,138**	70,796
Total assets	**73,809**	171,145
Trade and other payables	**30,261**	20,922
Amount due to ultimate holding company	**116,450**	–
Amounts due to fellow subsidiaries	**296,399**	420,772
Amount due to an associate	**3,426**	3,426
Bank borrowings	**80,658**	76,468
Tax payable	**2,672**	2,577
Total liabilities	**529,866**	524,165
Net liabilities disposed of	**(456,057)**	(353,020)
Less: Non-controlling interests	**21,831**	(9,628)
	(434,226)	(362,648)

Gain on disposal of subsidiaries:	
Consideration received and receivable	**100**
Net liabilities disposed of	**434,226**
Assignment of amount due to ultimate holding company	**(116,450)**
Assignment of amounts due to fellow subsidiaries	**(296,399)**
Gain on disposal	**21,477**
Net cash outflow arising on disposal:	
Cash consideration	**100**
Cash and cash equivalent disposed of	**(23,138)**
	(23,038)

Certain comparative figures of the consolidated statement of comprehensive income were restated so as to reflect the results for the discontinued operation.

(b) Disposal of food processing and distribution operation

On 4 December 2009, the Group entered into an agreement with Sincerity Shine Holdings Limited ("Sincerity Shine"), being a party connected to the Group, to dispose all of its entire interests in Prowealth Holdings Group Limited ("Prowealth") and its subsidiaries (the "Disposal Group"), which carried out all of the Group's food processing and distribution operation (the "Disposal"). Sincerity Shine is beneficially owned as to 50% by Ms. Huang Yu Wei, being the spouse of Mr. Li Geng ("Mr. Li"). Mr. Li was a substantial shareholder of the Company before Mr. Li disposed of his entire interest in the Company on 4 December 2009. Mr. Li is also a director of Prowealth and has beneficial interest in Wise Virtue Holdings Limited ("Wise Virtue"). Wise Virtue was one of the vendors of Prowealth when Prowealth was acquired by the Group in October 2008. The Disposal was subsequently approved by the shareholders of the Company on 18 January 2010 and completed on 19 January 2010.

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

	1.1.2010 to 19.1.2010 *HK$'000*
Loss of food processing and distribution operation for the period	(5,969)
Gain on disposal of food processing and distribution operation	1,631
	(4,338)

The results of the Disposal Group for the period from 1 January 2010 to 19 January 2010, which have been included in the consolidated statement of comprehensive income and presented as discontinued operation were as follows:

	1.1.2010 to 19.1.2010 *HK$'000*
Turnover	17,636
Cost of sales	(17,012)
Gross profit	624
Other income	688
Selling and distribution costs	(147)
Administrative expenses	(6,863)
Finance costs	(271)
Loss for the period	(5,969)

During the year ended 31 December 2010, the Disposal Group contributed an outflow of HK$3,814,000 to the Group's net operating cash flows, paid HK$684,000 in respect of investing activities and contributed HK$62,000 in respect of financing activities.

	HK$'000
Consideration received:	
Deposits received in 2009	122,000
Cash consideration receivable of 2010 *(note 11)*	43,000
Total consideration	165,000

Analysis of assets and liabilities of the Disposal Group at the date of disposal and were as follows:

	19.1.2010 *HK$'000*
Property, plant and equipment	74,671
Prepaid lease payment	18,819
Inventories	69,693
Trade and other receivables	126,525
Tax recoverable	1,721
Bank balances and cash	8,252
Total assets	299,681
Trade and other payables	33,735
Amounts due to directors	2,828
Bank loans	98,916
Others	833
Total Liabilities	136,312
Net assets disposed of	163,369
Gain on disposal of subsidiaries:	
Consideration received and receivable	165,000
Net assets disposed of	(163,369)
Gain on disposal	1,631
Net cash outflow arising on disposal:	
Cash and cash equivalent disposed of in 2010	(8,252)

9. PROFIT (LOSS) FOR THE YEAR

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) for the year has been arrived at after charging:						
Directors' remuneration						
– Fees	**3,279**	2,474	**–**	–	**3,279**	2,474
– Salaries and other benefits	**1,751**	2,620	**–**	–	**1,751**	2,620
– Bonus	**415**	12,000	**–**	–	**415**	12,000
– Other emoluments	**85**	29	**–**	–	**85**	29
	5,530	17,123	**–**	–	**5,530**	17,123
Employees' salaries and benefits expenses	**3,749**	5,927	**12,156**	4,858	**15,905**	10,785
Retirement benefits scheme contributions for staff other than directors	**118**	73	**1,422**	1,525	**1,540**	1,598
Total staff costs	**9,397**	23,123	**13,578**	6,383	**22,975**	29,506
Allowance for bad and doubtful debts (included in other expenses) *(note b)*	**–**	–	**21,412**	–	**21,412**	–
Allowance for inventories (included in cost of sales) *(note a)*	**–**	–	**41,462**	–	**41,462**	–
Amortisation of prepaid lease payments	**117**	–	**–**	326	**117**	326
Auditor's remuneration	**1,580**	1,700	**–**	–	**1,580**	1,700
Cost of inventories recognised as expenses	**–**	–	**74,991**	113,069	**74,991**	113,069
Deposits and prepayments written off (included in other expenses) *(note b)*	**–**	–	**2,789**	–	**2,789**	–
Depreciation of property, plant and equipment	**1,040**	491	**–**	8,342	**1,040**	8,833
Minimum lease payments under operating leases in respect of rented premises	**1,556**	1,606	**99**	–	**1,655**	1,606
Project management fee (included in other expenses) *(note c)*	**23,000**	–	**–**	–	**23,000**	–

Notes:

(a) During the current year, a PRC subsidiary of the Group which carried out the Group's timber operation purchased excessive inventories and certain inventories were produced but could not be sold due to the weakened market demand, as a result, the directors of the Company made allowances of HK$41,462,000 on these inventories and were charged to profit or loss.

(b) During the current year, the directors of the Company conducted a review of its trade receivables and certain deposits and prepayments were long outstanding and not recoverable, as a result, allowances of HK$21,412,000 and HK$2,789,000, respectively, were charged to the consolidated statement of comprehensive income.

(c) On 29 November 2010, Allywing Investments Limited ("Allywing"), a wholly owned subsidiary of the Group, entered into a Management Agreement with Harvest Day Limited ("Harvest Day") pursuant to which Harvest Day agreed to provide professional management and consultancy services to Allywing in relation to the property development project. Ms. Zhang Hua Fang, sister of a shareholder and Joint Chairman of the Company, Mr. Zhang Xi, holds 60% equity interests in Harvest Day.

The fee under the Management Agreement is HK$50,000,000. During the year ended 31 December 2011, the Group has paid in aggregate of HK$23,000,000 to Harvest Day. The amounts was charged to profit and loss for the year.

10. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	2011	2010
	HK$'000	*HK$'000*
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share	**60,886**	(783,381)
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	**39,733**	1,366
– Net gain on derivative financial instruments	**(235,964)**	(113,212)
– Net loss on warrants	**–**	(56,757)
Loss for the purpose of diluted loss per share	**(135,345)**	(951,984)

	2011	2010 (restated)
Number of shares:		
Weighted average number of ordinary shares for purposes of calculation of basic earnings (loss) per share	**4,564,292,883**	3,496,516,717
Effect of dilutive potential ordinary shares in respect of:		
– Convertible notes	**3,960,000,000**	384,483,780
– Warrants	**–**	28,463,474
Weighted average number of ordinary shares for the purpose of calculation of diluted loss per share	**8,524,292,883**	3,909,463,971

From continuing operations

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

	2011	2010
	HK$'000	*HK$'000* (restated)
Earnings (loss) for the year attributable to owners of the Company	**60,886**	(783,381)
Less: Loss for the year from discontinued operation attributable to owners of the Company	**(41,725)**	(4,794)
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	**102,611**	(778,587)
Effect of dilutive potential ordinary shares:		
– Interest on convertible loan notes	**39,733**	1,366
– Net gain on derivative financial instruments	**(235,964)**	(113,212)
– Net loss on warrants	**–**	(56,757)
Loss for the purpose of diluted loss per share from continuing operations	**(93,620)**	(947,190)

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

From discontinued operation

Basic loss per share for the discontinued operation is HK0.91 cent per share (2010: HK0.14 cent per share), based on the loss for the year from the discontinued operation attributable to owners of the Company of HK$41,725,000 (2010: HK$4,794,000) and the denominator is detailed above for basic loss per share. Diluted loss per share for the discontinued operation is HK0.49 cent (2010: HK0.13 cent) and the denominator as detailed above for diluted loss per share.

The computation of diluted loss per share for the years ended 31 December 2011 and 31 December 2010 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares during both years. It does not assume the conversion of certain convertible notes for the year ended 31 December 2010 since their assumed conversion would result in a decrease in the loss per share. It does not assume the exercise of the Company's outstanding warrants and conversion of all convertible notes for the year ended 31 December 2010 since their exercise and conversion would result in a decrease in the loss per share.

11. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables, net of allowance	**–**	15,271
Bills receivables	**–**	1,339
Other receivables	**297**	18,972
Consideration receivable for disposal of food processing and distribution operation *(note 8)*	**25,000**	43,000
	25,297	78,582

Payment terms with customers are largely on credit. Invoices are normally payable within 30 to 90 days after issuance.

The consideration receivable for disposal of Prowealth was due in July 2011. Subsequent to 31 December 2011, Sincerity Shine has settled an amount of HK$6,000,000. Further arrangement has been made with Sincerity Shine to extend the repayment date of the remaining outstanding consideration to April 2012.

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

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**–**	15,271

All bills receivables of the Group are aged within 60 days at the end of the reporting period.

At 31 December 2010, included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$401,000 which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the management considered these debts were of good quality and good repayment history. The Group did not hold any collateral over these balances. The average age of these receivables was 53 days.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**–**	401

The Group had provided fully for all receivables that are past due beyond 1 year because historical experience was such that these receivables were generally not recoverable. Allowance on trade receivables over 270 days were fully provided by reference to past default experience and objective evidences of impairment.

In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. The directors of the Company considered that the Group has no significant concentration of credit risk at 31 December 2010, with exposure spread over a number of counterparties and customers.

Movement in the allowance for doubtful debts

	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**10,529**	10,529
Impairment loss recognised on received	**21,412**	–
Eliminated on disposal of subsidiaries	**(31,941)**	–
At end of the year	**–**	10,529

Included in the allowance for doubtful debts as at 31 December 2010 are individually impaired trade receivables with an aggregate balance of HK$10,529,000 which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Included in the trade and other receivables are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong Dollars	**25,090**	44,459

12. TRADE AND OTHER PAYABLES/AMOUNTS DUE TO DIRECTORS OF SUBSIDIARIES/AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**4,885**	21,065
Dividend payable to non-controlling shareholder of a subsidiary	**–**	20,648
Amount due to former director of a subsidiary	**5,469**	4,934
Accrued expenses and other payables	**27,407**	29,799
Accrued costs for construction work	**14,383**	–
	52,144	76,446

The amount(s) due to non-controlling shareholders of subsidiaries/former director of a subsidiary and dividend payable to non-controlling shareholder of a subsidiary are unsecured, interest-free and repayable on demand.

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

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**–**	9,791
91 – 180 days	**–**	–
More than 180 days	**4,885**	11,274
	4,885	21,065

Included in the trade and other payables are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong Dollars	**16,215**	15,700

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, the Group's revenue from continuing and discontinued operations was approximately HK$76.68 million (2010: approximately HK$119.52 million), representing a drop of 35.84% as compared with last year's figure. The decrease was mainly due to the fall in revenue in the timber business and no revenue was recorded from the food processing and distribution business after it was disposed of by the Group in 2010.

Segmental Results

During the reporting year, investment in securities and property development remained business operations of the Group, while the timber business was discontinued and was disposed of on 29 December 2011.

Property development business

No revenue was generated from the operation of property development for the current year (2010: Nil) and its segmental result suffered a loss of approximately HK$7.93 million (2010: a loss of approximately HK$3.96 million).

Investment in securities business

The revenue generated from the operation of investment in securities for the current year was approximately HK$0.13 million (2010: Nil) and its segmental result suffered a loss of approximately HK$36.31 million (2010: a loss of approximately HK$8.86 million).

Discontinued businesses

Timber business

The turnover of the timber business for the year decreased to approximately HK$76.56 million from approximately HK$101.89 million in last year, representing a drop of approximately 24.86%. The segment result of the timber business had been worsen to a loss of approximately HK$86.32 million from a profit of approximately HK$5.83 million in 2010.

Food processing and distribution business

The food processing and distribution business has already been discontinued in the year 2010. Accordingly, no revenue was recorded from the food processing and distribution business in the current year (2010: approximately HK$17.64 million) and no segment result was recorded from the food processing and distribution business in the year ended 31 December 2011 (2010: a loss of approximately HK$0.78 million).

Cost of Sales

The Group's cost of sales for the reporting year from continuing and discontinued operations increased to approximately HK$116.45 million from approximately HK$113.07 million in last year. Allowance for obsolete inventories of approximately HK$39.74 million (2010: Nil) and loss of stock of approximately HK$1.72 million (2010: Nil) due to outbreak of fire were the major factors for the increase in costs in the current year.

Gross Loss

The Group recorded a gross loss of approximately HK$39.77 million during the current year (2010: gross profit of approximately HK$6.45 million).

Other Income

The Group's other income for the reporting year from continuing and discontinued operations decreased to approximately HK$6.94 million from approximately HK$12.75 million in 2010. The main reason for such decrease was that no VAT refund were received during the reporting year (2010: approximately HK$6.67 million).

Other Gains and Losses

Other gains of the Group amounted to approximately HK$199.53 million for the reporting year (2010: loss of approximately HK$703.22 million). The significant gain mainly consisted of the net gain on fair value change of derivative financial instruments of approximately HK$235.96 million (2010: loss of approximately HK$731.67 million) off-setting against the net loss on held-for-trading investments of approximately HK$36.44 million (2010: approximately HK$8.86 million).

Selling and Distribution Costs

The Group's selling and distribution costs for the reporting year from continuing and discontinued operations decreased to approximately HK$6.51 million from approximately HK$8.72 million in 2010. Such decrease was due to the drop in revenue in the current year.

During the reporting year, all the selling and distribution costs of the Group were incurred from its timber business.

Administrative Expenses

The Group's administrative expenses for the reporting year from continuing and discontinued operations decreased to approximately HK$61.04 million from approximately HK$63.88 million in the 2010.

Other Expenses

During the year, the Group incurred other expenses from continuing and discontinued operations amounting to approximately HK$47.20 million. This consisted of project management fee of approximately HK$23.00 million paid in connection with a property development project in Xi'an city (the "Site"), the People's Republic of China ("PRC"); allowance for bad and doubtful debt of approximately HK$21.41 million; and writing off of unrecoverable deposits and prepayments of approximately HK$2.79 million.

Finance Costs

The Group's finance costs from continuing and discontinued operations for the reporting year increased to approximately HK$42.77 million from approximately HK$30.07 million in 2010, representing an increase of 42.23%. This consisted mainly of the effective interests expenses on the outstanding convertible notes of approximately HK$39.73 million (2010: approximately HK$25.18 million).

Profit/(Loss) for the Year and Profit/(Loss) Per Share

The Group's profit attributable to owners of the Company for the reporting year was approximately HK$60.89 million whereas the Group's loss attributable to owners of the Company was approximately HK$783.38 million in the year 2010. The turnaround from loss to profit in the reporting year was mainly due to the net gain on fair value change of the derivative financial instruments. Basic profit per share from the continuing operations of the Group was HK2.25 cents per share for the year ended 31 December 2011 whereas the basic loss per share was HK22.27 cents per share for the previous year. Meanwhile, diluted loss per share was HK1.10 cents per share for the reporting year (2010: loss of HK24.28 cents per share).

BUSINESS REVIEW

In the year of 2011, the PRC government put an end to the easing of monetary policy and launched a more stabilizing measure. The People's Bank of China had increased the interest rates for three times and raised the bank reserve requirement ratio for six times during the year.

Furthermore the austerity measures launched in 2010 to stabilize the property market were upgraded and deeply implemented in the year 2011, with the property price control targets were set in over 100 cities and Home Purchase Restriction were launched in 50 mid-to-big cities. Under these kinds of restrictions and the increase of minimum down payment ratio required for people who purchase their second houses in all major cities, liquidity in the property market was completely stalled. The Group's timber business was severely dampened under the suppressed property development industries during the year.

Having carefully reviewed the Group's timber business in light of the weakened demand for its products and the rising production costs, the Board decided to dispose of the timber business of the Group and entered into a sale and purchase agreement to sell the Company's entire interests in Wood Art Group (as defined hereafter) on 18 November 2011.

Property development business

Although the property market in the PRC was so challenging in the year 2011, the property development project of the Group was still in the preliminary development stage. Those restrictive measures implemented by the PRC government did not have a material impact on our Group.

According to the existing development plan, the Group will develop the Site as an area which consists of luxury residential buildings and commercial buildings by several phases.

Since it is still in a preliminary stage of developing the Site, the Group did not record any revenue from its property development business for the reporting year (2010: Nil) but a loss of approximately HK$7.93 million was incurred in the current year (2010: approximately HK$3.96 million).

Investment in securities business

The revenue generated from the operation of investment in securities for the current year mainly consisted of dividend income received from held-for-trading securities. Its segment loss was suffered from the loss on change in fair value of held-for-trading investments.

Timber business

As mentioned above, the management of the Group decided to dispose of its entire equity interests in Wood Art International Corporation and its subsidiaries (the "Disposal Group" or the ''Wood Art Group") in late 2011 (the "Disposal"). The Disposal Group was responsible for all timber operations of the Group. The Disposal was completed on 29 December 2011.

During the period from 1 January 2011 to 29 December 2011, a loss of approximately HK$90.31 million (1.1.2010 – 31.12.2010: a loss of approximately HK$0.41 million) was suffered from the timber business, loss for the period attributable to shareholders of the Company was approximately HK$63.20 million (1.1.2010 – 31.12.2010: approximately HK$0.46 million). Gain on disposal of approximately HK$21.48 million was recorded upon the completion of the Disposal.

FUTURE PROSPECTS

Despite the unfavorable impact arising from the eurozone sovereign debt crisis and global economic uncertainty, the Chinese economy maintained resilient and reported steady GDP growth in the year 2011.

The austerity measures are gradually taking positive effect on the economy as the latest CPI figures are showing good sign of control of inflation in the PRC. Moreover, signals of stabilization of measures in the property sector, including banks extending favorable mortgage rate to first time home buyers in early 2012 and the two cuts in the bank reserve requirement ratio since November 2011, may gradually improve the overall liquidity. We believe that in the long run, the property sector will continue to benefit from the increase in domestic consumption power as well as the genuine housing demand driven by improving living conditions in the PRC.

With the continuing improvement and expansion of the metro network, the North station of the Express Rail Link in Xi'an city, which is located near the Site allows the Group's project to benefit from the improved public transportation in the future. The Group will closely monitor the development of any policies and measures that will be introduced by the PRC Government in order to take necessary actions to reduce any unexpected downside effects as well as to take advantage of any favourable measures.

The Group will continue to dedicate its efforts to the development of its existing businesses and other high potential projects in the PRC with a view to providing steady returns as well as fruitful growth for its shareholders.

On 13 January 2011, Fulbond Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Company, and Hefu Limited (the "Vendor"), an independent third party, entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which the Purchaser conditionally agreed to acquire (the "Acquisition") an aggregate of 50,000 shares of US$1.00 each in the share capital of Lithium Energy Group Ltd. (the "Target Company"), which represents its entire issued share capital, and the shareholder's loan due and owing to the Vendor by the Target Company as at the date of completion of the Acquisition at a consideration ("Consideration") of HK$900 million.

Pursuant to the Acquisition Agreement, the Vendor has guaranteed to the Group that the audited consolidated net profit after taxation and minority interest but before non-recurring income and extraordinary income and non-operating income of the Target Company and its subsidiaries (the "Target Group") for the financial year of the completion date of the Acquisition and the four financial years immediately thereafter will not be less than HK$1.12 billion.

Details of the Acquisition were set out in the circular of the Company dated 25 May 2011 (the "Circular"). The Group believes that the Acquisition not only widens the Group's revenue streams but also enables the Group to participate in a potentially high growth industry advocated by the PRC Government.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2011, the Group's bank balances and cash was approximately HK$30.23 million (2010: approximately HK$143.49 million), representing a decrease of 78.93%. The bank and other borrowings as at 31 December 2011 amounted to approximately HK$1.52 million (2010: approximately HK$79.99 million), representing a decrease of 98.10%.

As at 31 December 2011, the current ratio (current assets/current liabilities) was 1.00 times (2010: 5.15 times) and the net current liabilities amounted to approximately HK$2.68 million (2010: net current assets of approximately HK$734.80 million). The major factor for the change was the classification of convertible notes of approximately HK$595.80 million (2010: approximately HK$792.03 million) from non-current liabilities to current liabilities during the reporting year.

During the current year, net cash used in operating activities was approximately HK$129.60 million (2010: approximately HK$181.79 million). The net cash used in investing activities was approximately HK$4.63 million (2010: approximately HK$309.79 million). The net cash generated from financing activities was approximately HK$18.35 million (2010: approximately HK$396.73 million), which mainly consisted of advance from minority shareholders of subsidiaries. As a result, the net decrease in cash and cash equivalents during the year was approximately HK$115.87 million (2010: approximately HK$94.84 million).

No issue, redemption and conversion of Convertible Notes

There was no issue, redemption and conversion of convertible notes during the reporting year. All operations of the Group were financed by funds generated internally.

MATERIAL DISPOSAL OF SUBSIDIARIES

The Disposal was approved by the shareholders of the Company and completed on 29 December 2011. Upon completion of the Disposal, the Disposal Group has ceased to be subsidiaries of the Company. The consideration in the sum of HK$100,000 was received on the same day as the date of completion of the Disposal.

VERY SUBSTANTIAL ACQUISITION AND PLACING ARRANGEMENTS

The Purchaser and the Vendor had entered into the Acquisition Agreement on 13 January 2011, pursuant to which the Purchaser conditionally agreed to acquire the entire issued share capital of the Target Company, and the shareholder's loan at the Consideration of HK$900 million of which (i) HK$370 million shall be paid by the Purchaser in cash to the Vendor and (ii) HK$530 million shall be paid by way of allotment and issue of shares of the Company as consideration shares to the Vendor in 5 stages in the manner set out in the sub-section headed "Consideration" under the section headed "The Acquisition Agreement" of the Circular.

Target Company holds 100% of the issued share capital of China Lithium Electric Vehicle Group (Hong Kong) Limited ("Lithium HK"). Upon completion of reorganization, Lithium HK will hold approximately 100% equity interests in a group of PRC companies (the "LEG Group") which engaged in the research and manufacturing of Lithium-ion battery, production of power motor and controller, and research and manufacturing of vehicle electronics and controller system.

Pursuant to the Acquisition Agreement, the Vendor has guaranteed to the Group that the audited consolidated net profit of LEG Group for the financial year of the completion date of the Acquisition and the four financial years immediately following will not be less than HK$1.12 billion (the "Profit Target"). In the event that the Profit Target cannot be achieved, the Consideration will be adjusted according to the terms of the Acquisition Agreement in the manner set out in the sub-section headed "Consideration Adjustment and Changes" under the section headed "The Acquisition Agreement" of the Circular.

The latest time for fulfillment of the conditions under the Acquisition Agreement is 31 March 2012. As at the date hereof, certain conditions are yet to be fulfilled while the proposed Acquisition is still in progress.

Share placing

On 13 January 2011, the Company entered into a placing agreement, with each of Kingston Securities Limited ("Kingston") and Guangdong Securities Limited (collectively, the "Placing Agents") respectively as placing agents (the "Share Placing Agreements"), pursuant to which, the Placing Agents conditionally agreed with the Company to place, on a best effort basis, an aggregate of 8,823,000,000 new shares (the "Reorganised Shares") after the capital reorganisation (the "Capital Reorganisation") (the "Placing"). The estimated net proceeds from the Placing will be approximately HK$1.48 billion. The Group intends to apply the net proceeds arising from the Placing to satisfy (i) the Consideration in respect of the Acquisition; (ii) provide general working capital for the Group and/or as funds for the Group's future investment opportunities; and (iii) for the future development of the LEG Group.

CN placing

On 13 January 2011, the Company entered into a placing agreement (the "CN Placing Agreement") with Kingston, pursuant to which, Kingston conditionally agreed to place, on a best effort basis, convertible notes with a maximum aggregate principal amount of HK$500 million ("CN Placing") which carry a right to convert into shares of the Company at a conversion price of HK$0.17 per Reorganised Share (subject to adjustment). The Group intends to apply the net proceeds obtained from the CN Placing for the future development of the LEG Group and/or as funds for future investment opportunities of the Group.

RELATED PARTIES TRANSACTION

With reference to the announcement of the Company dated 29 November 2010 and the circular dated 20 December 2010, on 29 November 2010, Allywing Investments Limited ("Allywing"), a wholly owned subsidiary of the Company, entered into a management agreement with Harvest Day Limited ("Harvest Day"), a company of which 60% issued share capital is held by a sister of Mr. Zhang Xi, the joint chairman and an executive Director of the Company. Pursuant to the management agreement, Harvest Day would provide management and consultancy services to Allywing in connection with the development of the Site. Allywing would pay to Harvest Day an inclusive management fee of HK$50 million by 3 installments. The resolution approving the management agreement and the annual caps of management fee payable to Harvest Day was passed at the special general meeting of the Company held on 6 January 2011. The first installment of HK$23 million was paid on 7 January 2011 according to terms and conditions of the management agreement.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

The change of the Company's name was approved at the special general meeting held on 5 August 2011. The Company has taken steps to change its English name from "Fulbond Holdings Limited" to "China New Energy Power Group Limited" and adopt "中國新能源動力集團有限公司" as its Chinese secondary name in place of "福邦控股有限公司" for identification purpose only. The change of the Company's name can better reflect the Company's new future business direction, while highlighting its new business strategies in the development of lithium-ion battery and electric vehicles.

On 11 August 2011, the Certificate of Incorporation on Change of Name and the Certificate of Secondary Name were issued by the Registrar of Companies in Bermuda, certifying that the Company has changed its name as "China New Energy Power Group Limited" with "中國新能源動力集團有限公司" as its Chinese secondary name on 5 August 2011. On 14 September 2011, the Registrar of Companies in Hong Kong issued the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company to the Company.

The Company announced on 23 September 2011 that the change of its company name become effective since 5 August 2011 and the stock short name of the shares of the Company for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") would be changed from "FULBOND HOLDING" to "CH NEW ENGY PWR" in English and from "福邦控股" to "中國新能源動力"and with effective from 9:00 a.m. on 28 September 2011.

CAPITAL STRUCTURE

The special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 21 June 2011. The Capital Reorganisation involved the following:

i)	Share consolidation (“Share Consolidation”)	every 10 shares of US$0.001 each in the issued share capital of the Company prior to Capital Reorganisation were consolidated into one share of par value US$0.01 each (“Consolidated Share”)
ii)	Capital reduction (“Capital Reduction”)	upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share was reduced from US$0.01 to US$0.001 by cancellation of US$0.009 of the paid-up capital of each issued Consolidated Share
iii)	Share premium reduction	upon the Share Consolidation and the Capital Reduction becoming effective, the entire amount standing to the credit of the share premium account of the Company as at the date of the Capital Reorganisation become effective was reduced and cancelled.

During the reporting year, holders of share options under the share option scheme of the Company adopted on 19 November 2001 (as amended by an addendum effective on 22 February 2011) (“Share Option Scheme”) exercised their rights to subscribe for 2,568 ordinary shares in the Company at a subscription price of HK$0.041 per share. After the issuance of shares according to the Share Option Scheme, the number of the Company’s issued shares became 45,642,930,000 shares before the Capital Reorganisation become effective.

On 22 June 2011, the Capital Reorganisation became effective and the number of the Company’s issued shares became 4,564,293,000 shares.

As at 31 December 2011, the Group’s gearing ratio calculated on the basis of convertible notes, bank and other borrowings of approximately HK$597.32 million (2010: approximately HK$872.02 million) and total assets of approximately HK$692.66 million (2010: approximately HK$920.53 million), was 46.30% (2010: 48.65%).

MATERIAL CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities as at 31 December 2011.

PLEDGE OF ASSETS

At the end of the reporting year, the Group had not pledged any assets, whereas, at end of last year, the Group had pledged certain properties, plants and equipments of the Group with aggregate carrying amounts of approximately HK$9.35 million to various banks to secure the bank loans and general credit facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. The Group operates mainly in Hong Kong and the PRC. Most of the transactions are denominated in Hong Kong dollars ("HKD"), Renminbi ("RMB") and United States dollars ("USD"). The Group is exposed to foreign currency risk primarily through sales that are denominated in United States dollars. The exchange rate of USD against HKD is relatively stable and the related foreign currency risk is considered to be insignificant. The Group currently does not have a foreign currency hedging policy. However, the management continuously monitors the Group's foreign exchange risk exposure and will consider to hedge significant currency risk exposure should the need arise.

EMPLOYEES AND REMUNERATION POLICIES

As of 31 December 2011, the Group had approximately 60 full time management, administrative and production staff in the PRC and Hong Kong.

The Group provides competitive remuneration packages with attractive discretionary bonus to employees. The Group regularly reviews its remuneration packages in light of the overall development of the Group as well as the market conditions. In addition, the Group has adopted the Share Option Scheme for eligible employees (including Directors) to provide incentives to those with outstanding performance and contribution to the Group.

CHANGE OF DIRECTORSHIP

On 18 March 2011, Mr. Lee Sun Man passed away. On 28 March 2011, Mr. Chen Guang Lin ("Mr. Chen") was appointed as an executive director of the Company. Mr. Chen resigned on 2 June 2011 and was re-appointed on the same day.

On 29 June 2011, Mr. Ip Cheng Kuong ("Mr. Ip"), Mr. Fei Phillip ("Mr. Fei") and Mr. Yeung Tsoi San ("Mr. Yeung") were appointed as an executive director and joint chairman, an executive director and vice chairman, and an executive director and chief executive officer of the Company respectively.

On 5 August 2011, Mr. Ip, Mr. Fei and Mr. Yeung resigned and were re-appointed as executive directors of the Company on the same day.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board considers that good corporate governance of the Company is crucial to safeguard the interests of the shareholders of the Company and to enhance the performance of the Group. The Board and management of the Company are committed to enhancing corporate governance standard, in compliance with the principles set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange. The Company has, throughout the year, complied with the relevant provisions of the Code, save for the deviation disclosed below.

Under Code Provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Prior to 29 June 2011, the Company did not name any officer with the title of "Chief Executive Officer" and Ms. Catherine Chen, the managing director of the Company, assumed the position of "Chief Executive Officer" and is responsible for managing and smoothing the business operations of the Group while the Chairman was responsible for leading the Board in the overall strategic development of the Group. On 29 June 2011, Mr. Yeung Tsoi San was appointed as the Chief Executive Officer of the Company. The Board believes that the Company has taken measures to achieve effective segregation of duties between the Chairman and Chief Executive Officer as well as preserve independence and a balanced judgement of views.

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out by the Stock Exchange in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors, all Directors have complied with the required standards of dealings as set out in the Model Code and the Company's own code of conduct during the review year.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely Ms. Ma Yin Fan, Mr. Yu Pan and Mr. Leung Hoi Ying. It is principally responsible for reviewing the accounting principles and practices adopted by the Group, as well as discussing and reviewing with management the internal control, auditing and financial reporting matters of the Group. The Audit Committee has reviewed the audited annual financial statements of the Group for the year ended 31 December 2011.

Remuneration Committee

The Remuneration Committee comprises Mr. Zhang Xi, one of the joint chairmen of the Company and three independent non-executive Directors, namely Mr. Yu Pan, Mr. Leung Hoi Ying and Ms. Ma Yin Fan. It is primarily responsible for offering advice to the Board on the matters pertaining to the remuneration policy and remuneration structure of the directors and senior management of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in the Preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

The auditor of the Company included an emphasis of matter paragraph in their independent auditor's report, the details of which are set as follows:

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that, as at 31 December 2011, the Group had current liabilities which exceeded its current assets by HK$2,679,000, out of which convertible notes with an aggregate carrying amount of HK$595,797,000, and principal amount of HK$396,000,000 will be due for repayment within twelve months from the end of the reporting period. The Group is implementing a number of measures as disclosed in note 2 to the consolidated financial statements to improve the financial position of the Group and after taking into account these steps, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. However, the sufficiency of working capital of the Group is dependent on its ability to successfully implement such measures and, therefore, this, along with other matters as set forth in note 2 to the consolidated financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's internal control system to safeguard shareholders' investment and reviewing the effectiveness of such on an annual basis under Code Provision C.2.1.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company, nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange (www.hkex.com.hk) and the Company's website (www.cnepgl.com). The 2011 Annual Report will be despatched to our shareholders on or before Tuesday, 24 April 2012 and will be available on the above websites in due course.

APPRECIATION

On behalf of the Board, my sincere thank to our loyal shareholders, suppliers and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to our management and all staff for their hard works and dedication throughout the year.

By order of the Board
China New Energy Power Group Limited
Zhang Xi
Joint Chairman

Hong Kong, 28 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Xi, Mr. Ip Cheng Kuong, Ms. Catherine Chen, Mr. Chiu Kong, Mr. Yeung Kwok Yu, Mr. Fei Phillip, Mr. Yeung Tsoi San, Mr. Kwan Kam Hung, Jimmy, Mr. Wah Wang Kei, Jackie and Mr. Chen Guang Lin; and the independent non-executive directors of the Company are Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan.