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 2012

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 (collectively, the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000 (Restated)
Continuing operations			
Turnover	*3*	**250**	125
Other income	*4*	**1,070**	823
Other gains and losses	*5*	**80,763**	199,527
Administrative expenses		**(34,868)**	(38,141)
Other expenses		**–**	(23,000)
Finance costs	*6*	**(18,973)**	(39,849)
Profit before taxation		**28,242**	99,485
Taxation	*7*	**–**	–
Profit for the year from continuing operations		**28,242**	99,485
Discontinued operation			
Loss for the year from discontinued operation	*8*	**–**	(68,829)
Profit for the year	*9*	**28,242**	30,656
Other comprehensive income			
Exchange differences arising on translation to presentation currency		**(368)**	2,613
Total comprehensive income for the year		**27,874**	33,269

	Notes	**2012** *HK$'000*	2011 *HK$'000* (Restated)
Profit (loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		**32,659**	102,611
– from discontinued operation		**–**	(41,725)
		32,659	60,886
Non-controlling interests			
– from continuing operations		**(4,417)**	(3,126)
– from discontinued operation		**–**	(27,104)
		(4,417)	(30,230)
Profit for the year		**28,242**	30,656
Total comprehensive income (expense) attributable to:			
Owners of the Company		**32,298**	61,543
Non-controlling interests		**(4,424)**	(28,274)
		27,874	33,269
EARNINGS (LOSS) PER SHARE	*10*		
From continuing and discontinued operations			
– Basic		**HK1.91 cents**	HK5.33 cents
– Diluted		**HK(1.29) cents**	HK(6.36) cents
From continuing operations			
– Basic		**HK1.91 cents**	HK8.99 cents
– Diluted		**HK(1.29) cents**	HK(4.40) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**3,317**	4,118
Prepaid lease payments		**5,113**	5,230
		8,430	9,348
Current assets			
Properties under development		**610,669**	576,810
Held-for-trading investments		**25,185**	43,178
Other receivables	*11*	**14,010**	25,297
Deposits and prepayments		**6,789**	7,796
Bank balances and cash		**33,265**	30,226
		689,918	683,307
Current liabilities			
Trade and other payables	*12*	**42,836**	52,144
Amounts due to directors of subsidiaries		**–**	4,388
Amounts due to non-controlling shareholders of subsidiaries		**26,156**	32,057
Obligation under a finance lease		**–**	77
Convertible notes		**–**	595,797
Other borrowings – amount due within one year		**17,191**	1,523
		86,183	685,986
Net current assets (liabilities)		**603,735**	(2,679)
Total assets less current liabilities		**612,165**	6,669
Non-current liability			
Convertible notes		**134,694**	–
		477,471	6,669
Capital and reserves			
Share capital		**14,895**	35,465
Reserves		**243,975**	(244,149)
Equity (capital deficiency) attributable to owners of the Company		**258,870**	(208,684)
Non-controlling interests		**218,601**	215,353
		477,471	6,669

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 as, despite the fact that the Group has a profit of HK$28,242,000 in the current year and as of 31 December 2012, the Group has net current assets of HK$603,735,000, as at 31 December 2012, the Group has current liabilities of approximately HK$86,183,000 to be settled within twelve months from the end of the reporting period, which exceed its cash and cash equivalent of HK$33,265,000. The directors of the Company are confident that the Group's liquidity can be improved as (i) the Group can obtain new banking facilities through the pledge of its equity interest in the property development project and the land use rights in the People's Republic of China (the "PRC"); (ii) the Group can dispose of its held-for-trading investments of approximately HK$25,185,000 to finance its short term obligations; and (iii) the directors of the Company expects that the first phase of the property development project will be available for pre-sale in the second half of 2013 which can improve the operating cash flows of the Group significantly.

Taking into account the abovementioned measures, the directors of the Company believe that the Group is able to satisfy its financial obligations in the foreseeable future 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The application of the amendments to HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these 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 executives directors, being the CODM of the Group. The measurement policies the Group used for segment reporting are the same as those disclosed in its HK FRS financial statements.

The Group's operations are organised based on the two business activities which are also the information regularly reported to the CODM. The details of operating and reportable segments of the Group are as follows:

- Investments in securities – trading of securities;
- Property development – development of properties held for sale.

The operation of timber business was discontinued in 2011.

Turnover from investment in securities business represents dividend income from held-for-trading investments.

(a) Segment turnover and results

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

For the year ended 31 December 2012

	Continuing operations		
	Investment in securities *HK$'000*	**Property development** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER			
External sales	**250**	**–**	**250**
RESULT			
Segment result	**(17,801)**	**(11,043)**	**(28,844)**
Unallocated corporate income			**1,070**
Unallocated corporate expenses			**(23,767)**
Other gains and losses			**98,756**
Finance costs			**(18,973)**
Profit for the year			**28,242**

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

(b) Segment assets and liabilities

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

At 31 December 2012

	Continuing operations		
	Investment in securities ***HK$'000***	**Property development** ***HK$'000***	**Consolidated** ***HK$'000***
ASSETS			
Segment assets	**25,185**	**610,669**	**635,854**
Unallocated corporate assets			**62,494**
Consolidated total assets			**698,348**
LIABILITIES			
Segment liabilities	**–**	**42,321**	**42,321**
Unallocated corporate liabilities			**178,556**
Consolidated total liabilities			**220,877**

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

The Group's unallocated corporate assets at the end of the reporting period mainly consist of 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 non-controlling shareholders of subsidiaries, convertible notes, other borrowings and certain other creditors and accrued expenses.

(c) Other segment information

For the year ended 31 December 2012

	Continuing operations			
	Investment in securities ***HK$'000***	**Property development** ***HK$'000***	**Unallocated** ***HK$'000***	**Consolidated** ***HK$'000***
Information included in segment results/segment assets:				
Additions to property, plant and equipment	**–**	**167**	**56**	**223**
Amortisation of prepaid lease payments	**–**	**–**	**117**	**117**
Depreciation of property, plant and equipment	**–**	**923**	**102**	**1,025**
Net loss on held-for-trading investments	**17,993**	**–**	**–**	**17,993**

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

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

Included in the Group's non-current assets are amount of HK$170,000 (2011: HK$217,000) 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.

(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:

	2012 *HK$'000*	2011 *HK$'000*
Customer A[1]	**N/A**	14,807
Customer B[1]	**N/A**	10,754
Customer C[1]	**N/A**	8,119

1 Turnover from the timber segment which discontinued in 2011.

4. OTHER INCOME

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income	**1,012**	774	**–**	944	**1,012**	1,718
Sales of scrap materials	**–**	–	**–**	2,136	**–**	2,136
Government grants *(note)*	**–**	–	**–**	1,906	**–**	1,906
Others	**58**	49	**–**	1,135	**58**	1,184
	1,070	823	**–**	6,121	**1,070**	6,944

Note: In 2011, the Government grants represented compensation received for expenditures incurred in relation to energy saving and waste reduction for the Group's timber related business. 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		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Gain on derivative financial instruments	**85,574**	235,964	**–**	–	**85,574**	235,964
Gain on disposal of subsidiaries *(note 8)*	**24,215**	–	**–**	21,477	**24,215**	21,477
Fair value changes on held-for-trading investments	**(17,993)**	(36,437)	**–**	–	**(17,993)**	(36,437)
Loss on initial recognition of convertible notes	**(7,871)**	–	**–**	–	**(7,871)**	–
Loss on early redemption of convertible notes	**(3,162)**	–	**–**	–	**(3,162)**	–
	80,763	199,527	**–**	21,477	**80,763**	221,004

6. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	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	**–**	–	**–**	2,921	**–**	2,921
– other borrowings	**279**	116	**–**	–	**279**	116
Effective interest expense on convertible notes wholly repayable within five years	**18,694**	39,733	**–**	–	**18,694**	39,733
	18,973	39,849	**–**	2,921	**18,973**	42,770

7. TAXATION

No provision for Hong Kong Profits Tax is 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 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:

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation (from continuing operations)	**28,242**	99,485
Tax at the domestic income tax rate of 25% (2011: 25%) *(note)*	**7,060**	24,871
Tax effect of expenses not deductible for tax purpose	**7,381**	17,492
Tax effect of income not taxable for tax purpose	**(27,700)**	(59,171)
Tax effect of tax losses not recognised	**13,259**	16,808
Taxation for the year (relating to continuing operations)	**–**	–

Note: The domestic income tax rate of 25% (2011: 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$290,877,000 (2011: HK$272,991,000) 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$2,760,000 (2011: HK$3,201,000) that will expire up to 2017 (2011: 2016). Other losses can be carried forward indefinitely. During the year ended 31 December 2012, tax losses of HK$35,150,000 were disposed upon disposal of TGT Group (see note 8(a)).

8. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARIES

(a) Disposal of TGT Holdings Corporation ("TGT") and other subsidiaries (the "2012 Disposal")

On 31 January 2012, the Group entered into an agreement with Barstow Holdings Limited ("Barstow"), a company incorporated in the British Virgin Islands, to dispose all of its entire interests in Ta Fu Strategic Investment Limited, TGT and its subsidiaries, Fulbond Business Services Limited and Fulbond Digital Systems Limited (collectively known as the "TGT Group").

Barstow is an independent third party of the Group. The 2012 Disposal was approved by the Board of Directors of the Company and completed on 31 January 2012. Total consideration for the 2012 Disposal was HK$35 in cash.

The profit for the period from disposal of subsidiaries is analysed as follows:

	1.1.2012 to 31.1.2012
	HK$'000
Gain on disposal of subsidiaries	**24,215**

Analysis of assets and liabilities of the TGT Group at the date of disposal was as follows:

	31.1.2012
	HK$'000
Other debtors and prepayments	**735**
Other payables	**(18,221)**
Amounts due to the Company	**(605,832)**
Amounts due to fellow subsidiaries	**(8,856)**
Amounts due to non-controlling shareholders of subsidiaries	**(7,490)**
	(639,664)
Less: Non-controlling interests	**761**
Net liabilities disposed of	**(638,903)**
Gain on disposal of subsidiaries:	
Consideration received	**–**
Net liabilities disposed of	**638,903**
Assignment to Barstow of amounts due to the Company	**(605,832)**
Assignment to Barstow of amounts due to the Company's subsidiaries	**(8,856)**
Gain on disposal	**24,215**

During the period from 1 January 2012 to 31 January 2012, the TGT Group had no contribution to the Group's cash flows.

(b) 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 "2011 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. Total consideration for the 2011 Disposal amounted to HK$100,000.

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

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

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 *HK$'000*
Turnover	76,556
Cost of sales	(116,453)
Gross loss	(39,897)
Other income	6,121
Selling and distribution costs	(6,514)
Administrative expenses	(22,894)
Other expenses	(24,201)
Finance costs	(2,921)
Loss for the period	(90,306)
Loss for the period attributable to:	
Owners of the Company	(63,202)
Non-controlling interests	(27,104)
	(90,306)

During the year 2011, the Disposal Group contributed cash outflow of HK$45,681,000 to the Group's net operating cash flows, cash inflow of HK$944,000 in respect of investing activities and cash outflow of HK$2,921,000 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 was as follows:

	29.12.2011
	HK$'000
Property, plant and equipment	–
Prepaid lease payment	–
Interests in associates	–
Inventories	21,208
Trade and other receivables	29,643
Bank balances and cash	23,138
Total assets	73,809
Trade and other payables	30,261
Amount due to ultimate holding company	116,450
Amounts due to fellow subsidiaries	296,399
Amount due to an associate	3,426
Bank borrowings	80,658
Tax payable	2,672
Total liabilities	529,866
	(456,057)
Less: Non-controlling interests	21,831
Net liabilities disposed of	(434,226)
Gain on disposal of subsidiaries:	
Consideration received and receivable	100
Net liabilities disposed of	434,226
Assignment to Purchaser of amount due to ultimate holding company	(116,450)
Assignment to Purchaser 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)

9. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit for the year has been arrived at after charging:						
Directors' and managing directors' remuneration						
– Fees	**3,506**	3,279	**–**	–	**3,506**	3,279
– Salaries and other benefits	**1,770**	1,751	**–**	–	**1,770**	1,751
– Bonus	**2,343**	415	**–**	–	**2,343**	415
– Other emoluments	**98**	85	**–**	–	**98**	85
	7,717	5,530	**–**	–	**7,717**	5,530
Employees' salaries and benefits expenses	**4,051**	3,749	**–**	12,156	**4,051**	15,905
Retirement benefits scheme contributions for staff other than directors	**131**	118	**–**	1,422	**131**	1,540
Total staff costs	**11,899**	9,397	**–**	13,578	**11,899**	22,975
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**	117	**–**	–	**117**	117
Auditor's remuneration	**1,000**	1,580	**–**	–	**1,000**	1,580
Cost of inventories recognised as expenses	**–**	–	**–**	74,991	**–**	74,991
Deposits and prepayments written off (included in other expenses) *(note b)*	**–**	–	**–**	2,789	**–**	2,789
Depreciation of property, plant and equipment	**1,025**	1,040	**–**	–	**1,025**	1,040
Minimum lease payments under operating leases in respect of rented premises	**1,625**	1,556	**–**	99	**1,625**	1,655
Project management fee (included in other expenses) *(note c)*	**–**	23,000	**–**	–	**–**	23,000

Notes:

(a) In the year ended 31 December 2011, 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) In the year ended 31 December 2011, 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) Project management fee

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 which the Group is currently developing properties for sale. Ms. Zhang Hua Fang, sister of Mr. Zhang Xi, Joint Chairman of the Company who resigned on 21 May 2012, holds 60% equity interests in Harvest Day.

The fee under the Management Agreement is HK$50,000,000, payable in 3 instalments by the Group upon certain milestones being achieved in the property development project.

Pursuant to the Management Agreement, the installments are payable by the Group as follows:

(i) First installment: HK$23,000,000 being 46% of the total management fee and payable within 15 days after the effective date of the Management Agreement;

(ii) Second installment: HK$13,500,000 being 27% of the total management fee and payable within 15 days after the issue of certificate of approval for presale of commodities premises (商品房預售許可證) (the "Second Installment Condition");

(iii) Third installment: HK$13,500,000 being 27% of the total management fee and payable within 15 days after issue of certificates of compliance confirming completion of all construction works in the development project and settlement of accounts (which have been audited by independent third parties) with all contracting parties (the "Third Installment Condition").

During the year ended 31 December 2011, the first installment amounting to HK$23,000,000 was paid by the Group and was charged to profit or loss as, in the opinion of the directors of the Company, the management and consultancy service relating to the first installment has been fulfilled. No payment was made and charge to profit or loss during the year ended 31 December 2012 as, in the opinion of the directors of the Company, no related management and consultancy services was rendered by Harvest Day in the current year and the Second Installment Condition has not been fulfilled.

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:

	2012	2011
	HK$'000	*HK$'000*
Earnings (loss):		
Earnings for the purpose of basic earnings per share	**32,659**	60,886
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	**18,694**	39,733
– Net gain on derivative financial instruments	**(77,703)**	(235,964)
– Loss on early redemption of convertible notes	**3,162**	–
Loss for the purpose of diluted loss per share	**(23,188)**	(135,345)

Number of shares:

	2012	2011 (Restated)
Weighted average number of ordinary shares for purposes of calculation of basic earnings (loss) per share	**1,711,688,004**	1,141,073,220
Effect of dilutive potential ordinary shares in respect of convertible notes	**90,163,934**	990,000,000
Weighted average number of ordinary shares for the purpose of calculation of diluted loss per share	**1,801,851,938**	2,131,073,220

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:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Earnings for the year attributable to owners of the Company	**32,659**	60,886
Less: Loss for the year from discontinued operation attributable to owners of the Company	**–**	(41,725)
Earnings for the purpose of basic earnings per share from continuing operations	**32,659**	102,611
Effect of dilutive potential ordinary shares:		
– Interest on convertible loan notes	**18,694**	39,733
– Net gain on derivative financial instruments	**(77,703)**	(235,964)
– Loss on early redemption of convertible notes	**3,162**	–
Loss for the purpose of diluted loss per share from continuing operations	**(23,188)**	(93,620)

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

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share for the year ended 31 December 2011 have been retrospectively adjusted for the effect of share consolidation completed on 12 October 2012.

From discontinued operation

No basic or diluted earnings per share for discounted operation for the year ended 31 December 2012 as the Group has had no discontinued operation for the year.

Basic loss per share for the discontinued operation for the year ended 31 December 2011 was HK3.66 cents per share, based on the loss for the year from the discontinued operation attributable to owners of the Company of HK$41,725,000 and the denominator is detailed above for basic loss per share. Diluted loss per share for the discontinued operation for the year ended 31 December 2011 was HK1.96 cents and the denominator as detailed above for diluted loss per share.

The computation of diluted loss per share for 31 December 2011 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. It does not assume the conversion of 2012 CN Convertible Notes for the year ended 31 December 2012 since their assumed conversion would result in a decrease in the loss per share.

11. OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Other receivables	**656**	297
Consideration receivable for disposal of food processing and distribution operation	**13,354**	25,000
	14,010	25,297

The consideration receivable for disposal of Prowealth Holdings Group Limited and its subsidiaries, carrying interest of 6% per annum was due in July 2011. Further arrangement has been made with Sincerity Shine to extend the repayment of the remaining outstanding consideration to May 2013 and the other terms remain unchanged.

Movement in the allowance for doubtful debts

	2012	2011
	HK$'000	*HK$'000*
At beginning of the year	**–**	10,529
Impairment loss recognised on receivables	**–**	21,412
Eliminated on disposal of subsidiaries	**–**	(31,941)
At end of the year	**–**	–

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Dollars	**13,848**	25,090

12. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**–**	4,885
Amount due to former director of a subsidiary	**5,512**	5,469
Accrued expenses	**2,341**	1,489
Accrued costs for construction work	**25,121**	14,383
Other payables *(note)*	**9,862**	25,918
	42,836	52,144

Note: Other payables mainly comprise of loan payable to a former shareholders, loan interest payable and receipt in advance from sub-contractors.

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

	2012	2011
	HK$'000	*HK$'000*
More than 180 days	**–**	4,885

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:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Dollars	**7,622**	16,215

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2012, the Group's revenue was approximately HK$0.25 million (2011: approximately HK$76.68 million). The significant shortfall was attributable to the disposal by the Group of its timber business at the end of 2011 and no revenue was generated from its property development project in the reporting year.

Segmental Results

During the reporting year, property development and investments in securities remain the continuing business operations of the Group, while the timber business had already been discontinued and disposed of on 29 December 2011.

Property development business

No revenue was generated from the operation of property development for the reporting year (2011: nil) and its segmental result suffered a loss of approximately HK$11.04 million (2011: a loss of approximately HK$7.93 million).

Investments in securities business

The revenue generated from the operation of investments in securities for the reporting year was approximately HK$0.25 million (2011: HK$0.13 million) and its segmental result suffered a loss of approximately HK$17.80 million (2011: a loss of approximately HK$36.31 million).

Timber business

As the disposal of the Group's entire interests in Wood Art International Corporation and its subsidiaries (collectively, the "Wood Art Group") had been completed on 29 December 2011, no revenue was generated from such business and segmental result was not accounted for during the reporting year (2011: turnover of approximately HK$76.56 million and segmental loss of approximately HK$86.32 million).

Cost of Sales

As the timber business had been discontinued in the previous year and the property development project is still under construction, no cost of sales was recorded during the reporting year (2011: approximately HK$116.45 million).

Gross Profit/Loss

Owing to the discontinuance of the loss-making timber business and construction of the property development project was still in progress, neither gross profit nor gross loss was recorded during the reporting year (2011: gross loss of approximately HK$39.77 million).

Other Income

The Group's other income for the reporting year decreased to approximately HK$1.07 million from approximately HK$6.94 million in year 2011. The main reason for such decrease was that other income, such as government grant and scrap sales, which were received from its timber business previously, were not received during the reporting year.

Other Gains and Losses

Other gains of the Group amounted to approximately HK$80.76 million for the reporting year (2011: gains of approximately HK$199.53 million). The gains mainly consisted of the net gain on fair value change of derivative financial instruments of approximately HK$77.70 million and the gain on disposal of subsidiaries.

Selling and Distribution Costs

No selling and distribution costs were incurred by the Group during the reporting year since the disposal of the Wood Art Group (2011: approximately HK$6.51 million).

Administrative Expenses

The Group's administrative expenses for the reporting year decreased to approximately HK$34.87 million from approximately HK$61.04 million in the year 2011. Such decrease was mainly attributable to the disposal of the loss-making timber business in the previous year.

Other Expenses

During the reporting year, no other expenses were incurred by the Group. (2011: approximately HK$47.2 million).

Finance Costs

The Group's finance costs for the reporting year decreased to approximately HK$18.97 million from approximately HK$42.77 million in 2011, representing a decrease of 55.65%. The finance costs consisted mainly of the effective interests expenses on the convertible notes of approximately HK$18.69 million (2011: approximately HK$39.73 million). The significant decrease in the finance costs was due to the conversion of convertible notes in an aggregate principal amount of HK$306 million into ordinary shares of the Company in April 2012, whereby interests on these convertible notes were no longer calculated after such conversion.

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

The Group's profit attributable to owners of the Company for the reporting year was approximately HK$32.66 million (2011: approximately HK$60.89 million). Such change was mainly due to the change in net gain on fair value change of the derivative financial instruments. Basic earnings per share of the Group was approximately HK1.91 cents per share for the year ended 31 December 2012 (2011: approximately HK5.33 cents per share). Meanwhile, diluted loss per share was approximately HK1.29 cents per share for the reporting year (2011: approximately HK6.36 cents per share).

BUSINESS REVIEW

In the year 2012, the global economy was still complicated and challenging. European countries, in particular the euro-zone countries, were seriously affected by the European debt crisis. Although the United States launched its third round of quantitative easing measures in the third quarter of 2012, the economic recovery remained sluggish. Owing to such a situation, the government of the People's Republic of China (the "PRC") reduced the banks' reserve requirement ratio twice as well as lowered the benchmark interest rates for deposits and loans twice during the year in order to stabilise its domestic economy. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) growth in 2012 was 7.8%, which is the first time where the growth rate has dropped to below 8% since the global financial crisis.

During the reporting year, the PRC government maintained its unwavering stance in regulating the local property market and continued to deploy stringent regulatory measures on purchase, price and credit. The property development industry in the PRC therefore faced an increased operating pressure in the reporting year.

Although the property development sector in the PRC experienced a challenging year in 2012, the property development project of the Group, which was still in the development stage, was not materially affected by the restrictive measures implemented by the PRC government.

Property Development Business

As mentioned above, the property development project was still in a construction stage and as such, no revenue was recorded during the reporting year. The Group effectively controlled the administrative expenses as well as managed its financial position. During the reporting year, the Group closely monitored the progress of its property development project and the measures implemented by the PRC Government on the property development markets.

According to the existing development plan, the Group will develop the site owned by a 60% owned PRC subsidiary of the Company at Xi'an City, the PRC (the "Site") as an area which consists of luxury residential buildings and commercial buildings by several phases. Major construction works for Phase 1 of the property development project started in the second quarter of the reporting year, and as a result, the Group did not record any revenue from the property development business for the reporting year but a loss of approximately HK$11.04 million was incurred (2011: loss of approximately HK$7.93 million).

Investments in Securities Business

During the reporting year, a revenue of approximately HK$0.25 million was recorded from the operation of investments in securities (2011: approximately HK$0.13 million). This represented dividend income received from held-for-trading securities during the reporting year. The segmental loss of approximately HK$17.80 million was mainly due to the loss on change in fair value of held-for-trading investments.

Acquisition of Lithium Energy Group Ltd.

Reference is made to the announcements of the Company dated 2 February 2011, 24 May 2011, 30 September 2011, 30 March 2012 and 1 May 2012 and the circulars of the Company dated 25 May 2011 and 24 October 2011 in relation to, inter alia, the acquisition of the entire issued share capital of and assignment of the shareholder's loan in Lithium Energy Group Ltd. (the "Acquisition"). Under the conditional agreement dated 13 January 2011 entered into between Fulbond Investments Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, Hefu Limited (the "Vendor"), and Mr. Yeung Tsoi San, Mr. Lau Yung and Mr. Fei Phillip (as the Vendor's guarantors) in respect of the Acquisition (as supplemented and amended by supplemental agreements made between the same parties on 23 May 2011, 30 September 2011 and 30 March 2012) (collectively the "Acquisition Agreement"), if the conditions precedent including, among other things, the completion of the placing of shares and convertible notes of the Company and obtaining the proceeds from such placing of not less than HK$1 billion ("Conditions Precedent") are not fulfilled on or before 30 April 2012, the Acquisition Agreement and the transactions contemplated thereunder shall terminate and be null and void and of no further effect and no parties thereto shall have any liability to any other party, save for any antecedent breaches.

On 1 May 2012, the Company announced that, as at 30 April 2012, due to the market financing and other reasons, certain Conditions Precedent to the completion of the Acquisition had yet to be fulfilled (or waived by the Purchaser) and accordingly, the Acquisition Agreement was lapsed.

FUTURE PLANS AND PROSPECTS

Regarding the property development business, it is expected that the PRC government will continue its proactive fiscal policy and prudent monetary policy in the coming year to curb inflation and rein the home prices, and that local governments will be in line with the central government to maintain tightening measures throughout 2013. Following the launch of the "National Five Measures" in early March 2013, it is commonly believed that stringent controls of the property market in the PRC will continue in the coming years.

The Group will keep on monitoring and analysing government policies and market trend in an active manner, in order to align its development and marketing strategies to grasp opportunities for its property development business.

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

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2012, the Group's bank balances and cash was approximately HK$33.27 million (2011: approximately HK$30.23 million), representing an increase of 10.06%. Bank and other borrowings as at 31 December 2012 was approximately HK$17.19 million (2011: approximately HK$1.52 million).

As at 31 December 2012, the current ratio (current assets/current liabilities) was 8.01 times (2011: 1.00 times) and the net current assets amounted to approximately HK$603.74 million (2011: net current liabilities of approximately HK$2.68 million). Major factors for such a change were the early redemption and conversion of previously issued convertible notes.

During the reporting year, net cash used in operating activities was approximately HK$62.78 million (2011: approximately HK$129.60 million). The net cash generated from investing activities was approximately HK$12.44 million (2011: net cash used in investing activities was approximately HK$4.63 million). The net cash generated from financing activities was approximately HK$53.90 million (2011: approximately HK$18.35 million), which mainly consisted of proceeds from issue of convertible notes and other borrowings. As a result, the net increase in cash and cash equivalents during the reporting year was approximately HK$3.56 million (2011: net decrease of approximately HK$115.87 million).

Early Redemption and Conversion of Previously Issued Convertible Notes

On 2 April 2012, certain holders of previously issued convertible notes in an aggregate principal amount of HK$306,000,000 exercised their options to convert the convertible notes into ordinary shares in the Company at a conversion price of HK$0.1 per share. As a result of the conversion of the convertible notes, the number of issued shares of the Company was increased by 3,060,000,000 shares. Besides, all outstanding previously issued convertible notes in the aggregate principle amount of HK$90,000,000 ("Outstanding Previous Convertible Notes") were early redeemed on 5 December 2012. The consideration of HK$90,000,000 for such early redemption was satisfied by part of the proceeds arising from the placing of the convertible redeemable notes in an aggregate principal amount of HK$120,000,000 as disclosed in the circular of the Company dated 18 September 2012. After the early redemption, there is no Outstanding Previous Convertible Notes.

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 (the "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 former joint chairman and executive director of the Company, who resigned with effect from 21 May 2012. 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$50,000,000 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$23,000,000 was paid on 7 January 2011 according to terms and conditions of the Management Agreement.

During the reporting year, no project management fee was paid or payable under the Management Agreement.

SHARE OPTION

A new share option scheme (the "New Scheme") was adopted on 25 May 2012, whereby the Board may, at its absolute discretion, grant options to any eligible participants including directors and employees of the Group (details of which were set out in the circular of the Company dated 24 April 2012) to subscribe for shares in the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company may not in aggregate exceed 762,429,300 shares, being 10.00% of the issued share capital of the Company as at 25 May 2012, i.e. the date of adoption of the New Scheme.

The subscription price per share on the exercise of options granted under the New Scheme shall be no less than the higher of (i) the nominal value of the shares; (ii) the closing price of the shares on the Stock Exchange on the date on which the options are granted (which must be a business day); and (iii) the average closing price of the shares on the Stock Exchange for the five business days immediately preceding the date on which the options are granted.

The purpose of the New Scheme is to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The New Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Unless approved by shareholders in general meeting, the total number of shares issued and to be issued upon exercise of the options granted under the New Scheme (including exercised, cancelled and outstanding options) to each grantee in any twelve-month period shall not exceed 1.00% of the total number of shares of the Company in issue at the relevant time.

An option may be exercised in accordance with the terms of the New Scheme at any time during the period to be notified by the Board to each grantee (provided that the period within which an option must be exercised shall not be more than ten years commencing on the date upon which the relevant option is granted), subject to any restrictions as may be imposed by the Board on the exercise of an option during the period in which an option may be exercised. A consideration of HK$1 will be payable upon acceptance of the offer.

As a result of the Capital Reorganisation (as defined hereafter) on 12 October 2012, the total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company was 190,607,325 shares, which represented 10.00% of the issued share capital of the Company as at the date of this announcement.

PLACING OF CONVERTIBLE NOTES

On 13 January 2011, the Company entered into a placing agreement (the "2011 CN Placing Agreement") with Kingston Securities Limited ("Kingston") (as supplemented and amended by side letters made between the Company and Kingston on 1 February 2011, 23 May 2011 and 30 September 2011), 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 ("2011 CN Placing") which carry a right to convert into shares of the Company at a conversion price of HK$0.17 per share of the Company of US$0.001 (subject to adjustment). The Group intended to apply the net proceeds obtained from the 2011 CN Placing for the future development of Lithium Energy Group Ltd and/or as funds for future investment opportunities of the Group. The 2011 CN Placing Agreement lapsed on 31 March 2012.

On 16 August 2012, the Company has entered into a placing agreement (as supplemented and amended by the supplemental agreement dated 27 August 2012) (the "CN Placing Agreement") with Kingston as placing agent, pursuant to which, the Company has conditionally agreed to place convertible notes in the principal amount of HK$120,000,000 on a fully underwritten basis (the "Placing") which carry a right to convert into shares of the Company at the conversion price of, subject to adjustment, HK$0.12 per share after Capital Reorganisation (as hereinafter defined) becoming effective. The Group intended to apply the net proceeds obtained from the Placing (i) for the redemption of the Outstanding Previous Convertible Notes; (ii) to strengthen the cash position of the Company; and (iii) to provide funding for business operations and development of the Group. The Placing was approved by the shareholders of the Company on 11 October 2012. Both the completion of the Placing and the issue of those convertible notes took place on 29 November 2012.

CAPITAL STRUCTURE

The special resolution approving the capital reorganisation (the "Capital Reorganisation") was passed at the special general meeting of the Company held on 11 October 2012 (the "SGM"). The Capital Reorganisation involved the following:

- share consolidation: every 4 then existing shares of US$0.001 each in the then issued share capital of the Company were consolidated into one consolidated share of par value US$0.004;

- capital reduction: upon the share consolidation becoming effective, the par value of each issued consolidated share were reduced from US$0.004 to US$0.001 by cancellation of US$0.003 of the paid-up capital of each issued consolidated share; and

- share premium reduction: the entire amount standing to the credit of then share premium account of the Company as at 30 June 2012 was reduced and cancelled.

On 12 October 2012, the Capital Reorganisation became effective and the number of the Company's issued shares became 1,906,073,250 shares. As a result of the Capital Reorganisation and the Placing, the conversion price of the Outstanding Previous Convertible Notes was adjusted from HK$0.1 to HK$0.321 per share with effect from 11 October 2012, i.e. the date of passing the resolutions in relation to, inter alia, the Capital Reorganisation and the Placing, at the SGM.

As at 31 December 2012, the Group's gearing ratio calculated on the basis of convertible notes, bank and other borrowings of approximately HK$151.89 million (2011: approximately HK$597.32 million) and total assets of approximately HK$698.35 million (2011: approximately HK$692.66 million), was 17.86% (2011: 46.30%).

MATERIAL CONTINGENT LIABILITIES

The Group is not aware of any material contingent liabilities as at 31 December 2012.

PLEDGE OF ASSETS

At the end of the reporting year, the Group had not pledged any assets (2011: Nil).

EVENT AFTER REPORTING PERIOD

Subsequent to 31 December 2012, Fair Power Capital Limited, a subsidiary company of the Company, entered into an agreement with Ms. He Guomian ("Ms. He"), an independent third party, to dispose all of its entire interests in Max Plan Investments Limited ("Max Plan") and its subsidiaries (the "Max Plan Group"). Ms. He has agreed to acquire the sale shares, which represents the entire issued share capital of Max Plan and the shareholders' loan at a total cash consideration of US$850,000 (approximately HK$6,630,000). The disposal was completed on 26 March 2013. Upon the disposal of the Max Plan Group, all the assets and liabilities of the Max Plan Group would no longer be consolidated with effect from 26 March 2013.

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 exchange rate of USD and RMB against HKD are relatively stable. Hence the Group neither anticipate any significant exchange risk exposure nor 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 2012, the Group had approximately 60 full time management, administrative and operation 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 New Scheme for eligible employees (including Directors) to provide incentives to those with outstanding performance and contribution to the Group.

CHANGE OF DIRECTORSHIP

The followings are changes of directorship in the Company during the year:

– Mr. Fei Phillip, the vice chairman and an executive director of the Company, resigned with effect from 30 April 2012.

– Mr. Zhang Xi, the joint chairman, an executive director and a member of the remuneration committee of the Company, resigned with effect from 21 May 2012. Mr. Ip Cheng Kuong, the joint chairman and executive director of the Company, became the sole chairman of the Company with effect from the same day.

- Mr. Wu Zhou Tong was appointed as a non-executive director of the Company with effect from 28 May 2012.
- Mr. Yeung Tsoi San, the chief executive officer and an executive director of the Company, was removed as chief executive officer and executive director with effect from 4 July 2012 and 12 July 2012, respectively.
- Mr. Lee Ming Tung, was appointed as an independent non-executive director of the Company with effect from 31 December 2012.

CORPORATE GOVERNANCE

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 all relevant provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively, the "Code") as stated in Appendix 14 of the rules governing the listing of securities on the Stock Exchange ("Listing Rules") throughout the year ended 31 December 2012, save for the deviations 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. After 4 July 2012, the Company did not name any officer with the title of "Chief Executive Officer", Mr. Ip Cheng Kuong is the Chairman of the Company ("Chairman") and Ms. Catherine Chen is the managing director of the Company ("Managing Director"). Ms. Catherine Chen 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. The Board believes that the Company has taken measures to achieve effective segregation of duties between the Chairman and Managing Director as well as to preserve independence and a balanced judgement of views.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Prior to 30 March 2012, all of the independent non-executive directors of the Company ("INEDs" or individually "INED") were not appointed for a specific term. However, all directors of the Company are subject to retirement and rotation once every three years in accordance with the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

On 30 March 2012, letters of appointment were entered into between the Company and each of the INEDs. Pursuant to the terms of the letters of appointment, all existing INEDs continue to be INEDs of the Company for a period of two years from 1 April 2012 and subject to retirement and rotation once every three years in accordance with the Bye-laws of the Company.

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 year under review.

Audit Committee

The audit committee comprises three INEDs, namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan. 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 2012.

Remuneration Committee

The remuneration committee comprises three INEDs, namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan. 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.

Nomination Committee

On 26 March 2012, the Company established a nomination committee with terms consistent with the Code Provisions A.5.1-A.5.4. The nomination committee comprises one executive Director and two INEDs, namely Mr. Yeung Kwok Yu, Mr. Leung Hoi Ying and Mr. Yu Pan.

The nomination committee is primarily responsible for (i) reviewing the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis at least annually; (ii) making recommendations to the Board regarding any proposed changes to the Board to complement the Company's corporate strategy; (iii) identifying individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of independent non-executive directors; and (v) making recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

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 2012 as set out in this 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 this preliminary announcement.

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 2012.

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 2012 Annual Report will be despatched to our shareholders on or before Friday, 26 April 2013 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 work and dedication throughout the year.

By order of the Board
China New Energy Power Group Limited
Ip Cheng Kuong
Chairman

Hong Kong, 27 March 2013

As at the date of this announcement, the executive directors of the Company are Mr. Ip Cheng Kuong, Mr. Yeung Kwok Yu, Ms. Catherine Chen, Mr. Chiu Kong, Mr. Kwan Kam Hung, Jimmy, Mr. Wah Wang Kei, Jackie and Mr. Chen Guang Lin; the non-executive director of the Company is Mr. Wu Zhuo Tong; and the independent non-executive directors of the Company are Ms. Ma Yin Fan, Mr. Leung Hoi Ying, Mr. Yu Pan and Mr. Lee Ming Tung.