THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in **China New Energy Power Group Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser and transferee.

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)

VERY SUBSTANTIAL DISPOSAL RELATING TO DISPOSAL OF THE ENTIRE INTEREST IN AND THE ASSIGNMENT OF THE SHAREHOLDER'S LOAN IN WOOD ART INTERNATIONAL CORPORATION

A letter from the Board is set out on pages 4 to 11 of this circular.

A notice convening a special general meeting of China New Energy Power Group Limited (the "Company") to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 29 December 2011 at 11:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular. A proxy form for use in the special general meeting is enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish.

Hong Kong, 12 December 2011

CONTENTS

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

"2011 Interim Report"	the 2011 interim report of the Group for the six months ended 30 June 2011
"Agreement"	the conditional sale and purchase agreement dated 18 November 2011 between the Company and the Purchaser in relation to the Disposal
"Allywing"	Allywing Investments Limited, a wholly owned subsidiary of the Company
"Board"	the board of Directors
"BVI"	the British Virgin Islands
"Company"	China New Energy Power Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1041)
"Completion"	completion of the Disposal in accordance with the terms and conditions of the Agreement
"connected person(s)"	has the meanings ascribed thereto in the Listing Rules
"Consideration"	the aggregate consideration of HK$100,000 for the Sale Shares and the Sale Loan under the Agreement
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Shares and the Sale Loan by the Company to the Purchaser pursuant to the terms and conditions of the Agreement
"Fulbond Investments"	Fulbond Investments Limited, a wholly owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Harvest Day"	Harvest Day Limited, 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

"Hefu"	Hefu Limited, a company incorporated in the BVI with limited liability
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	9 December 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"LEG"	Lithium Energy Group Ltd.
"LEG Acquisition"	acquisition of the entire issued share capital of and assignment of the shareholder's loan in LEG, as disclosed in the announcements of the Company dated 2 February 2011, 24 May 2011 and 30 September 2011, the circulars of the Company dated 25 May 2011 and 24 October 2011 and the 2011 Interim Report
"LEG Group"	LEG and its subsidiaries upon completion of reorganisation
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lithium HK"	China Lithium Electric Vehicle Group (Hong Kong) Limited
"PRC"	the People's Republic of China
"Prowealth"	Prowealth Holdings Group Limited
"Purchaser"	Intelligence International Limited, a company incorporated in the BVI with limited liability
"Remaining Group"	the Group immediately after Completion
"Sale Loan"	the entire amount of the shareholder's loan owed by Wood Art to the Company as at Completion, and for indicative purpose, approximately HK$116,450,418.25 as at 31 October 2011

"Sale Shares"	10,000 ordinary shares of US$1.00 each in the capital of Wood Art, representing the entire issued share capital of Wood Art as at the date of the Agreement and at Completion
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company to be convened and held to consider the Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary shares of US$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Sincerity Shine"	Sincerity Shine Holdings Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Wood Art"	Wood Art International Corporation, a company incorporated in the BVI and a wholly-owned subsidiary of the Company prior to Completion
"Wood Art Group"	Wood Art and its subsidiaries
"Xi'an Yuansheng"	Xi'an Yuansheng Enterprises Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

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)

Executive Directors:
Mr. Zhang Xi *(Joint Chairman)*
Mr. Ip Cheng Kuong *(Joint Chairman)*
Ms. Catherine Chen *(Managing Director)*
Mr. Chiu Kong
Mr. Yeung Kwok Yu
Mr. Fei Phillip *(Vice Chairman)*
Mr. Yeung Tsoi San *(Chief Executive Officer)*
Mr. Kwan Kam Hung, Jimmy
Mr. Wah Wang Kei, Jackie
Mr. Chen Guang Lin

Independent Non-Executive Directors:
Ms. Ma Yin Fan
Mr. Yu Pan
Mr. Leung Hoi Ying

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Unit 2807, 28/F
The Center
99 Queen's Road Central
Central
Hong Kong

12 December 2011

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL
RELATING TO DISPOSAL OF THE ENTIRE INTEREST IN AND THE ASSIGNMENT OF THE SHAREHOLDER'S LOAN IN WOOD ART INTERNATIONAL CORPORATION

INTRODUCTION

Reference is made to the Company's announcements dated 23 November 2011 and 2 December 2011, in relation to, inter alia, the disposal of the Sale Shares and the assignment of the Sale Loan, which constitute a very substantial disposal for the Company under the Listing Rules.

The purpose of this circular is to provide you with, among others, (i) further details of the Disposal; and (ii) the notice of the SGM.

THE AGREEMENT

Date

18 November 2011

Parties

Vendor: the Company

Purchaser: Intelligence International Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons, and the Purchaser is an investment holding company.

Assets to be disposed of

Pursuant to the Agreement, the Company agreed to sell the Sale Shares and the Sale Loan to the Purchaser free from any claims, charges, liens, encumbrances, equities or adverse rights of any description.

The Sale Shares represent the entire issued share capital of, and the entire interest of the Company in, Wood Art.

The Sale Loan represents the entire amount of the shareholder's loan owed by Wood Art to the Company as at Completion, which is interest-free and repayable on demand. For indicative purpose, the outstanding amount of the Sale Loan as at 31 October 2011 was approximately HK$116.5 million.

Consideration

The Consideration in the aggregate sum of HK$100,000 shall be payable by the Purchaser by cheque on Completion, which has been based on normal commercial terms and determined after arm's length negotiations between the Company and the Purchaser with reference to the unaudited consolidated net asset value of the Wood Art Group and the historical performance of the Wood Art Group for the past years.

Conditions precedent

Completion shall be conditional upon the passing by the Shareholders (other than those who have abstained from voting under the Listing Rules, where applicable) of the relevant resolution(s) at the SGM to be held by the Company approving the Agreement and the transactions contemplated thereunder (or such other date as may be agreed between the parties thereto in writing).

In the event that any of the above conditions is not fulfilled before 5:00 pm on 31 March 2012 or such other date as the parties to the Agreement may from time to time agree in writing, the Agreement and everything contained in it shall terminate and be null and void and of no further effect, and thereafter no party to the Agreement shall have any liability to any other party, save for any prior breaches of the terms of the Agreement.

Completion

The sale and purchase of the Sale Shares and the assignment of the benefits and interests of the Sale Loan are inter-conditional and shall be completed simultaneously.

Completion shall fall on or before the fifth business day after fulfilment of the conditions set out above.

INFORMATION OF THE WOOD ART GROUP

As at the date of this announcement, Wood Art is a direct wholly-owned subsidiary of the Company. The Wood Art Group is principally engaged in the business of manufacture of and trading in wooden products as well as investment holding.

The financial results of the Wood Art Group for the three years ended 31 December 2010 and the six months ended 30 June 2011 are respectively summarised as follows:

	Net (loss) before taxation and extraordinary items	Net (loss) after taxation and extraordinary items but before exchange differences arising on translation to presentation currency	Net profit/(loss) after taxation and extraordinary items and after exchange differences arising on translation to presentation currency	Turnover	Gross profit/(loss)	Gross profit margin
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
For the year ended 31 December 2008	(67,174)	(69,291)	(59,249)	169,586	33,367	19.68%
For the year ended 31 December 2009	(4,602)	(5,250)	(8,416)	120,940	14,196	11.74%
For the year ended 31 December 2010	(411)	(411)	5,182	101,886	5,829	5.72%
For the six months ended 30 June 2011	(60,007)	(60,007)	(56,233)	32,328	(38,235)	–118.27%

According to the above table, turnover of Wood Art Group for the years 2009 and 2010 decreased by 28.69% and 15.75% when compared with that for year 2008 and year 2009 respectively. Gross profits and gross profit margin for these periods also dropped significantly from HK$33.37 million and 19.68% in 2008 to HK$5.83 million and 5.72% in 2010, representing a decrease of 82.53% and 70.93% in the 3-year period respectively. The total comprehensive income of HK$5.18 million in 2010 was mainly due to a positive exchange difference arising on translation to presentation currency.

As at 30 June 2011, the total assets and the net liabilities position of the Wood Art Group were approximately HK$112.88 million and HK$409.25 million, respectively.

Subject to and upon Completion, Wood Art shall cease to be a subsidiary of the Company, and the results of the Wood Art Group shall no longer be consolidated in the Group's consolidated financial statements.

FINANCIAL EFFECT OF THE DISPOSAL

With reference to the unaudited financial information of the Wood Art Group as at 30 June 2011, the Group would realize a book loss of approximately HK$16.12 million from the Disposal. The book loss on disposal is calculated based on (i) deducting the net liabilities of the Wood Art Group of approximately HK$409.25 million; (ii) assignment of shareholder's loan of approximately HK$113.61 million of Wood Art owing to the Remaining Group; (iii) non-controlling interest of the Wood Art Group of approximately HK$8.70 million; (iv) impairment loss on amounts due from the Wood Art Group of approximately HK$296.80 million and an amount due from an associate of approximately HK$3.38 million as a result of the deconsolidation of the Wood Art Group; (v) estimated legal and professional fees for this transaction of approximately HK$3.00 million; and (vi) estimated gross cash proceeds of approximately HK$100,000. The cumulative exchange translation reserve of HK$21.24 million would be transferred directly to accumulated deficit in equity upon the Disposal as they are the exchange differences arising from translation of functional currency to presentation currency. The actual book gain or loss derived from the Disposal would depend on the assets and liabilities of the Wood Art Group up to the date of Completion.

According to the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix II to this circular, the loss (after taxation) of the Group will increase from approximately HK$608.64 million to approximately HK$613.68 million, as if the Disposal had taken place on 1 January 2011. According to the unaudited pro forma financial statement of financial position of the Remaining Group as set out in Appendix II to this circular, the total assets of the Group will decrease from approximately HK$861.71 million to approximately HK$745.93 million whilst the total liabilities of the Group will decrease from approximately HK$1,485.65 million to approximately HK$1,377.30 million, as if the Disposal had taken place on 30 June 2011.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is principally engaged in manufacture of and trading in wooden products including blockboard and particle board, door skin and other wooden products; trading of securities; and development of properties.

As disclosed in the 2011 Interim Report, the turnover of the timber business for the reporting period declined to approximately HK$32.33 million from approximately HK$42.52 million in the corresponding period in 2010, representing a drop of 23.97%, which was mainly due to a decrease in sales of particle board from approximately HK$19.47 million in the same period last year to approximately HK$7.24 million in the reporting period. In addition, the segment result of the timber business suffered a loss of approximately HK$55.07 million (1.1.2010 to 30.6.2010: loss of approximately HK$29.34 million), and such a significant loss was mainly due to the allowance for obsolete inventories of approximately HK$40.98 million (1.1.2010 to 30.6.2010: approximately HK$28.31 million). The allowance for obsolete inventories was mainly attributable to the management decision to increase stock inventories to prepare for the peak season in summer and the subsequent global market deterioration and the PRC government's policy to cool down the property market resulting in the decrease in demand for construction materials and thus write-off of the inventory. In view that the Wood Art Group has been suffering losses for many years and that, as shown in the table set out in the section headed "Information of the Wood Art Group", the performance of the Group's timber business has not been promising, the Directors consider that the continuation of the business of the Wood Art Group may not be in the interests of the Company and its Shareholders as a whole, and the Group therefore intends to realise its investment in the Wood Art Group so as to prevent the Group from incurring further loss.

On the other hand, the Company has been actively looking for solutions to improve the overall financial performance of the Group, including but not limited to reviewing the existing business operations of the Group and seeking other business and investment opportunities. As disclosed in the announcement of the Company dated 9 June 2010 and its circular dated 28 June 2010, the Group acquired, inter alia, the entire issued share capital of Allywing. At the date of acquisition, Allywing had 60% equity interest in Xi'an Yuansheng (together with Allywing, collectively referred to as the "Allywing Group"), a company established in the PRC, which principally holds a piece of land located in Xi'an, the PRC. In this connection, the Group has engaged Harvest Day to provide management and consultancy services to the Group in respect of the property development project in Xi'an city, PRC under the management agreement as disclosed in the announcement of the Company dated 29 November 2010 (and its circular dated 20 December 2010) and also the 2011 Interim Report upon the terms and conditions thereof. The Directors consider that such property development project will provide the Group an opportunity to participate in the real estate market in the PRC, and is expected to provide positive contributions to the operation of the Group in the long run.

Further, as disclosed in the announcements of the Company dated 2 February 2011, 24 May 2011 and 30 September 2011, the circulars of the Company dated 25 May 2011 and 24 October 2011 and the 2011 Interim Report, the Group has proposed to acquire the entire issued share capital of and the assignment of the shareholder's loan in LEG. LEG holds the entire issued share capital of Lithium HK, which will, upon completion of reorganisation, holds approximately 100% equity interest in a group of PRC companies engaging 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. The Directors believe that the acquisition of such interest in LEG will enable the Group to hold a strategic investment into the market of the lithium energy and electric vehicle businesses and to explore investment opportunities through operation of such businesses.

The proceeds from the Disposal are intended to be applied as general working capital of the Group. In contemplation of the Group's long-term strategy to focus its business on the development of properties held for sale and also the development of lithium-ion battery and electric vehicles, the Group has decided to dispose of the Wood Art Group and through the Disposal, the Board believes that the Company will be able to allocate its resources more effectively in order to focus on developing and strengthening its property development as well as lithium and electric vehicle businesses.

Having taken into consideration (a) the unsatisfactory performance and potential future losses of the Wood Art Group, (b) the opportunity to reallocate resources after the Disposal to other business segments which may have better growth potential, and (c) the future net cash drained out to the Wood Art Group, the Directors (including the independent non-executive Directors) are of the view that the Disposal and the terms of the Agreement (including the amount of the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BUSINESS OF THE REMAINING GROUP

Following the Disposal, the Remaining Group will cease to carry out the timber business and will continue to be engaged in its existing securities investment and property development businesses. According to the latest development proposal regarding the property development project in Xi'an city, the land will be developed into a residential and commercial area comprising approximately 414,147 square meters for residential use and approximately 89,813 square meters for commercial use. Such project will be developed in 5 phases. The phase 1 construction has commenced in late November 2011 and is expected to be completed by late 2013. The pre-sale for phase 1 is scheduled to commence in late 2012 while the completion of the sale and purchase of the phase 1 properties is expected to take place in early 2014. The whole project is expected to be completed by about 2017. As at the date hereof, certificate for the use of state-owned land, the planning permit for construction use and approval for the phase 1 of the project have been obtained. It is anticipated that operating cash inflow would start to be generated through pre-sale of the residential properties developed in phase 1 in about late 2012.

In addition, as announced by the Company on 30 September 2011, in view of the volatility of the Hong Kong stock market recently and the size of the placing of the shares and convertible notes of the Company (the "Placing") to be contemplated pursuant to the LEG Acquisition, the long stop date for fulfillment or waiver of the conditions precedent (which shall include the Placing) to completion of the LEG Acquisition was extended to 31 March 2012 as the Company requires additional time to complete the Placing. Following the completion of the LEG Acquisition, the Group will, through the LEG Group, be 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 upon completion of reorganisation. The Directors consider that the LEG Acquisition is a valuable opportunity for the Company to diversify its business to the lithium and electric vehicles industry.

LISTING RULES IMPLICATION

Since the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal are more than 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As no Shareholder has a materially different interest in the Disposal, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Disposal.

Completion is subject to the obtaining of the approval of the Shareholders, and hence the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SGM

The SGM will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 29 December 2011 at 11:00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, by way of poll, among other things, the Disposal and the transactions contemplated thereunder.

The notice of the SGM is set out in pages SGM-1 to SGM-2 of this circular. A proxy form for use at the SGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the view that the terms of the proposed Disposal are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

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

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

FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2011 is disclosed in the 2011 interim report of the Company published on 9 September 2011, from pages 17 to 40, and the audited consolidated financial statements of the Group (i) for the year ended 31 December 2010 is disclosed in the 2010 annual report of the Company published on 28 April 2011, from pages 33 to 113; (ii) for the year ended 31 December 2009 is disclosed in the 2009 annual report of the Company published on 27 April 2010, from pages 31 to 111; and (iii) for the year ended 31 December 2008 is disclosed in the 2008 annual report of the Company published on 29 April 2009, from pages 29 to 93, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.cnepgl.com).

UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Set out below are the unaudited condensed consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Disposal Group for each of the three years ended 31 December 2010 and six months ended 30 June 2011 (the "Relevant Periods") and the unaudited condensed consolidated statements of financial position of the Disposal Group as at 31 December 2008, 2009 and 2010 and 30 June 2011, which have been reviewed by the auditor of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Based on their review, nothing has come to their attention that causes them to believe that the financial information is not prepared, in all material respects, in accordance the basis of preparation set out in Note 2 to the financial information of the Disposal Group.

Without qualifying their review opinion, they draw attention to Note 2 to the financial information, which indicates that the Wood Art Group incurred losses throughout the Relevant Periods and, as of 31 December 2008, 2009 and 2010 and 30 June 2011, the Wood Art Group had net current liabilities and net liabilities. These conditions, along with other matters as set forth in Note 2 to the financial information, indicate the existence of a material uncertainty which may cast significant doubt about the Wood Art Group's ability to continue as a going concern.

In addition, they draw attention to other matter that the comparative condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2010 disclosed in the financial information have not been reviewed in accordance with standards applicable to review engagements issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three years ended 31 December 2010 and six months ended 30 June 2011

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Turnover	169,586	120,940	101,886	42,517	32,328
Cost of sales	(136,219)	(106,744)	(96,057)	(63,936)	(70,563)
Gross profit (loss)	33,367	14,196	5,829	(21,419)	(38,235)
Other income	11,049	5,888	12,024	1,004	2,217
Gain on disposal of a subsidiary	8,143	–	–	–	–
Selling and distribution costs	(15,200)	(9,942)	(8,570)	(3,991)	(3,165)
Administrative expenses	(16,806)	(10,530)	(5,764)	(3,271)	(19,629)
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments	(82,312)	–	–	–	–
Finance costs	(5,415)	(4,214)	(3,930)	(1,068)	(1,195)
Loss before taxation	(67,174)	(4,602)	(411)	(28,745)	(60,007)
Taxation	(2,117)	(648)	–	–	–
Loss for the year/period	(69,291)	(5,250)	(411)	(28,745)	(60,007)
Other comprehensive income (expense)					
– Exchange differences arising on translation to presentation currency	10,042	(3,166)	5,593	1,280	3,774
Total comprehensive (expense) income for the year/period	(59,249)	(8,416)	5,182	(27,465)	(56,233)
Loss for the year/period attributable to:					
Owners of the Company	(45,420)	(3,462)	(456)	(19,089)	(40,439)
Non-controlling interests	(23,871)	(1,788)	45	(9,656)	(19,568)
	(69,291)	(5,250)	(411)	(28,745)	(60,007)
Total comprehensive (expense) income attributable to:					
Owners of the Company	(38,692)	(5,584)	3,291	(18,231)	(37,910)
Non-controlling interests	(20,557)	(2,832)	1,891	(9,234)	(18,323)
	(59,249)	(8,416)	5,182	(27,465)	(56,233)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2008, 2009 and 2010 and 30 June 2011

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Non-current assets				
Property, plant and equipment	11,842	4,726	–	–
Prepaid lease payments	–	–	–	–
Interests in associates	–	–	–	–
	11,842	4,726	–	–
Current assets				
Inventories	56,293	45,539	44,480	18,902
Trade and other receivables	21,258	11,524	30,668	27,407
Deposits and prepayments	17,507	10,961	25,201	23,127
Bank balances and cash	54,196	77,135	70,796	43,444
	149,254	145,159	171,145	112,880
Current liabilities				
Trade and other payables	24,712	24,707	20,922	27,198
Amounts due to fellow subsidiaries	292,197	290,241	420,772	296,792
Amount due to ultimate holding company	113,607	113,607	–	113,607
Amount due to an associate	4,136	3,760	3,425	3,758
Bank borrowings	73,280	73,302	76,469	78,157
Tax payables	2,950	2,470	2,577	2,621
	510,882	508,087	524,165	522,133
Net current liabilities	(361,628)	(362,928)	(353,020)	(409,253)
	(349,786)	(358,202)	(353,020)	(409,253)
Capital and reserves				
Share capital	77	77	77	77
Reserves	(360,432)	(366,016)	(362,725)	(400,635)
Equity attributable to owners of the Company	(360,355)	(365,939)	(362,648)	(400,558)
Non-controlling interests	10,569	7,737	9,628	(8,695)
	(349,786)	(358,202)	(353,020)	(409,253)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three years ended 31 December 2010 and six months ended 30 June 2011

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Operating activities					
Loss before taxation	(67,174)	(4,602)	(411)	(28,745)	(60,007)
Adjustments for:					
Interest expenses	5,415	4,214	3,930	1,068	1,195
Depreciation of property, plant and equipment	7,570	6,817	5,560	3,653	–
Amortisation of prepaid lease payments	503	–	–	–	–
Allowance for bad and doubtful debts	–	658	–	–	5,959
Deposits and prepayments written off	–	–	–	–	2,709
Allowance for inventories	–	–	–	28,309	40,979
Impairment loss recognised in respect of property, plant and equipment and prepaid lease payments	82,312	–	–	–	–
Gain (loss) on disposal of property, plant and equipment	2,401	(28)	–	–	–
Gain on disposal of a subsidiary	(8,143)	–	–	–	–
Interest income	(763)	(731)	(959)	(432)	(697)
Operating cash flows before movements in working capital	22,121	6,328	8,120	3,853	(9,862)
(Increase) decrease in inventories	(6,141)	9,080	(671)	(12,052)	(5,908)
(Increase) decrease in trade and other receivables	(11,230)	7,844	(19,953)	1,663	(5,407)
Decrease (increase) in deposits and prepayments	3,682	6,546	(14,240)	(203)	6,922
(Decrease) increase trade and other payables	(8,064)	(2,410)	18,293	(861)	(14,207)
Cash generated from (used in) operations	368	27,388	(8,451)	(7,600)	(28,462)
People's Republic of China Enterprise Income Tax paid	(1,141)	(1,128)	–	–	–
Net cash (used in) generated from operating activities	(773)	26,260	(8,451)	(7,600)	(28,462)
Investing activities					
Interest received	763	731	959	432	697
Disposal of a subsidiary	734	–	–	–	–
Proceeds from disposal of property, plant and equipment	30	56	–	–	–
Net cash generated from investing activities	1,527	787	959	432	697

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Financing activities					
Interest paid	(5,415)	(4,214)	(3,930)	(1,068)	(1,195)
New bank loan raised	73,280	73,302	76,469	–	–
Repayment of bank loan	(77,390)	(73,280)	(73,302)	–	–
Advance from an associate	4,136	–	–	–	–
Net cash used in financing activities	(5,389)	(4,192)	(763)	(1,068)	(1,195)
Net (decrease) increase in cash and cash equivalents	(4,635)	22,855	(8,255)	(8,236)	(28,960)
Cash and cash equivalents at the beginning of the year/period, represented by bank balances and cash	55,501	54,196	77,135	77,135	70,796
Effect of foreign exchange rate changes	3,330	84	1,916	1,243	1,608
Cash and cash equivalents at the end of year/period, represented by bank balances and cash	54,196	77,135	70,796	70,142	43,444

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three years ended 31 December 2010 and six months ended 30 June 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Capital reserve HK$'000	General reserve HK$'000	Contributed surplus HK$'000	Exchange translation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1 January 2008 (unaudited)	77	7,174	39,700	(12,594)	12,172	34	(366,413)	(319,850)	27,048	(292,802)
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	–	6,728	–	–	6,728	3,314	10,042
Loss for the year	–	–	–	–	–	–	(45,420)	(45,420)	(23,871)	(69,291)
Total comprehensive expense for the year	–	–	–	–	6,728	–	(45,420)	(38,692)	(20,557)	(59,249)
Reserves released upon disposal of a subsidiary	–	(2,885)	(5,604)	–	(1,813)	–	8,489	(1,813)	4,078	2,265
At 31 December 2008 (unaudited)	77	4,289	34,096	(12,594)	17,087	34	(403,344)	(360,355)	10,569	(349,786)
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	–	(2,122)	–	–	(2,122)	(1,044)	(3,166)
Loss for the year	–	–	–	–	–	–	(3,462)	(3,462)	(1,788)	(5,250)
Total comprehensive expense for the year	–	–	–	–	(2,122)	–	(3,462)	(5,584)	(2,832)	(8,416)
Transfer of reserve	–	–	2,848	–	–	–	(2,848)	–	–	–
At 31 December 2009 (unaudited)	77	4,289	36,944	(12,594)	14,965	34	(409,654)	(365,939)	7,737	(358,202)
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	–	3,747	–	–	3,747	1,846	5,593
Loss for the year	–	–	–	–	–	–	(456)	(456)	45	(411)
Total comprehensive expense for the year	–	–	–	–	3,747	–	(456)	3,291	1,891	5,182
At 31 December 2010 (unaudited)	77	4,289	36,944	(12,594)	18,712	34	(410,110)	(362,648)	9,628	(353,020)
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	–	2,529	–	–	2,529	1,245	3,774
Loss for the period	–	–	–	–	–	–	(40,439)	(40,439)	(19,568)	(60,007)
Total comprehensive expense for the period	–	–	–	–	2,529	–	(40,439)	(37,910)	(18,323)	(56,233)
At 30 June 2011 (unaudited)	77	4,289	36,944	(12,594)	21,241	34	(450,549)	(400,558)	(8,695)	(409,253)
At 1 January 2010 (unaudited)	77	4,289	36,944	(12,594)	14,965	34	(409,654)	(365,939)	7,737	(358,202)
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	–	858	–	–	858	422	1,280
Loss for the period	–	–	–	–	–	–	(19,089)	(19,089)	(9,656)	(28,745)
Total comprehensive expense for the period	–	–	–	–	858	–	(19,089)	(18,231)	(9,234)	(27,465)
At 30 June 2010 (unaudited)	77	4,289	36,944	(12,594)	15,823	34	(428,743)	(384,170)	(1,497)	(385,667)

NOTES TO THE FINANCIAL INFORMATION

For the three years ended 31 December 2010 and six months ended 30 June 2011

1. GENERAL

On 18 November 2011, China New Energy Power Group Limited (formerly known as Fulbond Holdings Limited) ("China New Energy Power") entered into a conditional sale and purchase agreement for the disposal (the "Disposal") of the entire equity interest in Wood Art International Corporation ("Wood Art") (together with its subsidiaries collectively referred to as the "Wood Art Group") to Intelligence International Limited (the "Purchaser"), a company incorporated in the British Virgin Islands.

The principal activity of the Wood Art Group is the manufacture of and trading in wooden products including blockboard and particleboard, door skin and other wooden products.

The unaudited financial information is presented in Hong Kong dollars, while the functional currencies of Wood Art and its major operating subsidiaries are Renminbi.

2. BASIS OF PREPARATION

The unaudited financial information of the Wood Art Group has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by China New Energy Power in connection with the Disposal.

The unaudited financial information of the Wood Art Group has been prepared on the historical cost basis. The unaudited financial information of the Wood Art Group for the three years ended 31 December 2010 and the six months ended 30 June 2011 has been prepared using the same accounting policies as those adopted by China New Energy Power in the preparation of the consolidated financial statements of China New Energy Power and its subsidiaries for the year ended 31 December 2010, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited financial information of the Wood Art Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" issued by the HKICPA or a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

In preparing the financial information of the Wood Art Group, the directors of Wood Art have given consideration to the future liquidity of the Wood Art Group in light of the fact that the Wood Art Group incurred losses throughout the Relevant Periods and, as of 31 December 2008, 2009 and 2010 and 30 June 2011, the Wood Art Group had net current liabilities and net liabilities. The bank borrowings of the Wood Art Group are due for repayment in February to October 2012 and it is the directors' intention to roll over these borrowings. The Wood Art Group has obtained undertaking from a shareholder of and the Joint Chairman of China New Energy Power, Mr. Zhang Xi ("Mr. Zhang"), that Mr. Zhang will provide the Wood Art Group with financial support in meeting the Wood Art Group's financial obligations as they fall due in the foreseeable future and this undertaking will continue up to the time when the Disposal becomes unconditional. The Purchaser has also undertaken to provide the Wood Art Group with financial support if the Disposal becomes unconditional. However, there exist uncertainties as to whether the Wood Art Group will be able to successfully roll over its bank borrowings, and will be able to continue to receive financial support from Mr. Zhang and the Purchaser, as applicable. The directors of Wood Art are satisfied that the Wood Art Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial information of the Wood Art Group has been prepared on the going concern basis.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidation statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of China New Energy Power Group Limited and its subsidiaries (hereinafter referred to as the "Group") excluding the Group's entire interest in Wood Art International Corporation ("Wood Art") and its subsidiaries (the "Disposal Group") (together with the Group hereinafter collectively referring to as the "Remaining Group") ("Pro Forma Financial Information"), have been prepared to illustrate the effect of the Disposal.

(i) Unaudited pro forma consolidated statement of financial position of the Remaining Group

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had taken place on 30 June 2011.

The preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group is based on the condensed consolidated statement of financial position as at 30 June 2011 of the Group which has been extracted from the published interim report of China New Energy Power Group Limited for the six months ended 30 June 2011 and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of financial position of the Remaining Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated statement of financial position of the Remaining Group does not purport to describe the actual financial position of the Remaining Group that would have attained had the Disposal been completed on 30 June 2011.

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group had the Disposal been completed on 30 June 2011 or any future date.

Unaudited pro forma consolidated statement of financial position
As at 30 June 2011

	The Group	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (c)*	
Non-current assets					
Property, plant and equipment	4,542				4,542
Prepaid lease payments	4,192				4,192
Interests in associates	–				–
Other investments	–				–
Club debenture	–				–
	8,734				8,734
Current assets					
Inventories	18,949	(18,902)			47
Properties under development	523,783				523,783
Trade and other receivables	75,376	(27,407)			47,969
Deposits and prepayments	29,594	(23,127)			6,467
Amount due from an associate	–		3,379	(3,379)	–
Held-for-trading investments	118,192				118,192
Bank balances and cash	87,080	(43,444)		(2,900)	40,736
	852,974				737,194
Current liabilities					
Trade and other payables	96,971	(27,198)			69,773
Amounts due to associates	379	(3,758)	3,379		–
Amounts due to fellow subsidiaries	–	(296,792)		296,792	–
Amount due to ultimate holding company	–	(113,607)		113,607	–
Amounts due to directors of subsidiaries	3,684				3,684
Taxation payable	2,621	(2,621)			–
Obligation under finance lease	39				39
Bank and other borrowings – amount due within one year	81,795	(78,157)			3,638
	185,489				77,134
Net current assets	667,485				660,060
Total assets less current liabilities	676,219				668,794

	The Group	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (a)	*Note (b)*	*Note (c)*	
Non-current liabilities					
Convertible notes	1,300,084				1,300,084
Obligation under finance lease	77				77
	1,300,161				1,300,161
	(623,942)				(631,367)
Capital and reserves					
Share capital	35,524				35,524
Reserves	(862,103)			(16,120)	(878,223)
Equity attributable to owners of the Company	(826,579)				(842,699)
Non-controlling interests	202,637			8,695	211,332
	(623,942)				(631,367)

(ii) Unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had taken place on 1 January 2011.

The preparation of the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group for the six months ended 30 June 2011 are based on the unaudited condensed consolidated statement of comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2011, which have been extracted from the published interim report of China New Energy Power Group Limited for the six months ended 30 June 2011 and after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group do not purport to describe the actual results and cash flows of the Remaining Group that would have attained had the Disposal been completed on 1 January 2011.

In the opinion of the Directors, the results and cash flows of the Remaining Group were not affected by any seasonality factors, therefore, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the unaudited condensed consolidated statement of comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2011.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared by the Directors for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of the results and cash flows of the Remaining Group had the Disposal been completed on 1 January 2011 or any future date.

Unaudited pro forma consolidated statement of comprehensive income
For the six months ended 30 June 2011

	The Group	Pro forma adjustments		Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note (d)	*Note (e)*	
Turnover	32,328	(32,328)		–
Cost of sales	(70,563)	70,563		–
Gross loss	(38,235)	38,235		–
Other income	2,397	(2,217)		180
Other gains and losses	(482,671)			(482,671)
Selling and distribution costs	(3,165)	3,165		–
Administrative expenses	(68,101)	19,629		(48,472)
Loss on disposal of subsidiaries	–		(65,042)	(65,042)
Finance costs	(18,868)	1,195		(17,673)
Loss before taxation	(608,643)	60,007	(65,042)	(613,678)
Taxation	–			–
Loss of the period	(608,643)	60,007	(65,042)	(613,678)
Other comprehensive income:				
Exchange differences arising on translation to presentation currency	38,134	(3,774)		34,360
Total comprehensive income for the period	(570,509)	56,233	(65,042)	(579,318)
Loss for the period attributable to:				
Owners of the Company	(586,902)	40,439	(65,042)	(611,505)
Non-controlling interests	(21,741)	19,568		(2,173)
	(608,643)	60,007	(65,042)	(613,678)
Total comprehensive income attributable to:				
Owners of the Company	(551,021)	38,086	(65,042)	(577,977)
Non-controlling interests	(19,488)	18,147		(1,341)
	(570,509)	56,233	(65,042)	(579,318)

Unaudited pro forma consolidated statement of cash flows
For the six months ended 30 June 2011

	The Group	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (f)	*Note (g)*	*Note (e)*	
Operating activities					
Loss before taxation	(608,643)	60,007		(65,042)	(613,678)
Adjustments for:					
Release of prepaid lease payments	112				112
Allowance for inventories	40,979	(40,979)			–
Net losses on fair value change of derivative financial instruments	490,499				490,499
Change in fair value of held-for-trading investments	(7,828)				(7,828)
Depreciation of property, plant and equipment	207				207
Interest income	(712)	697			(15)
Finance costs	18,868	(1,195)			17,673
Loss on disposal of property, plant and equipment	26				26
Allowance for bad and doubtful debts	5,959	(5,959)			–
Deposits and prepayments written off	2,709	(2,709)			–
Loss on disposal of subsidiaries	–			65,042	65,042
Operating cash flows before movements in working capital	(57,824)				(47,962)
(Increase) decrease in inventories	(5,857)	5,908			51
Increase in property under development	(8,578)				(8,578)
(Increase) decrease in trade and other receivables	(265)	5,407			5,142
Decrease in deposits and prepayments	9,181	(6,922)			2,259
Increase in held-for-trading investments	(15,362)				(15,362)
Increase in trade and other payables	24,671	14,207			38,878
Net cash (used in) from operating activities	(54,034)				(25,572)
Investing activities					
Interest received	712	(697)			15
Purchases of property, plant and equipment	(985)				(985)
Disposal of subsidiaries	–		(73,696)		(73,696)
Net cash used in investing activities	(273)				(74,666)

	The Group	Pro forma adjustments			Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (f)	*Note (g)*	*Note (e)*	
Financing activities					
Interest paid	(1,311)	1,195			(116)
Bank loan raised	378				378
Repayment of advance from associate	(71)				(71)
Other financing activities	(38)				(38)
Net cash (used in) from financing activities	(1,042)				153
Net decrease in cash and cash equivalents	(55,349)				(100,085)
Cash and cash equivalent at the beginning of the period	143,492				143,492
Effect of changes in foreign exchange rates	(1,063)	(1,608)			(2,671)
Cash and cash equivalents at the end of the period	87,080				40,736

Notes to the unaudited Pro Forma Financial Information:

(a) The adjustments represent the assets and liabilities of the Disposal Group based on their carrying amounts in the books and records of the Disposal Group as at 30 June 2011, assuming the Disposal had taken place on 30 June 2011. The assets and liabilities of the Disposal Group as at 30 June 2011 are extracted from the unaudited financial information of the Disposal Group at 30 June 2011.

(b) The adjustments represent reclassification of account balances due from an associate by the Remaining Group, which has been offset against an amount due to the same associate in the condensed consolidated statement of financial position of the Group.

(c) The adjustments represent the net cash outflow and loss on disposal of the Disposal Group. The pro forma net cash outflow arising on the disposal of approximately HK$2,900,000 which is calculated by deducting the estimated legal and professional fees for this transaction of approximately HK$3,000,000 from the estimated gross cash proceeds of approximately HK$100,000, as provided in the sale and purchase agreement entered into by the Company and Intelligence International Limited, an independent third party of the Group, in relation to the disposal of the Disposal Group (the "Sale and Purchase Agreement"). The pro forma loss on disposal of approximately HK$16,120,000 is calculated based on (i) deducting the net liabilities of the Disposal Group of approximately HK$409,253,000; (ii) assignment of shareholder's loan of HK$113,607,000 of Wood Art owing to the Remaining Group; (iii) non-controlling interest of the Disposal Group of HK$8,695,000; (iv) impairment loss on amounts due from the Disposal Group of HK$296,792,000 and an amount due from an associate of HK$3,379,000 as a result of the deconsolidation of the Disposal Group; (v) estimated legal and professional fees for this transaction of approximately HK$3,000,000; and (vi) estimated gross cash proceeds of approximately HK$100,000. The cumulative exchange translation reserve of HK$21,241,000 would be transferred directly to accumulated deficit in equity upon the Disposal as they are the exchange differences arising from translation of functional currency to presentation currency.

Disposal at 30 June 2011:

	HK$'000
Net liabilities disposed of	(409,253)
Less: Assignment of shareholder's loan	113,607
	(295,646)
Non-controlling interest – deficit	(8,695)
	(286,951)
Legal and professional fees	3,000
Impairment loss on amount due from the Disposal Group	296,792
Impairment loss on amount due from an associate	3,379
Pro forma loss on disposal, net of impairment loss on amount due from the Disposal Group and an associate	(16,120)
Total cash consideration	100

The final gain or loss on the Disposal may be different from the amount described above and would be subject to the assets and liabilities of the Disposal Group on the date of disposal.

(d) The adjustments are to exclude the results of the Disposal Group for the six months ended 30 June 2011 which are extracted from the unaudited financial information of the Disposal Group for the six months ended 30 June 2011, as the Disposal is assumed to be taken place on 1 January 2011.

(e) The adjustment represents the pro forma loss of approximately HK$65,042,000 resulting from the Disposal, assuming that the Disposal had taken place on 1 January 2011. The pro forma loss is calculated based on (i) deducting the net liabilities of the Disposal Group of approximately HK$353,020,000; (ii) non-controlling interest of the Disposal Group of HK$9,628,000; (iii) impairment loss on amounts due from the Disposal Group of HK$420,772,000 and an amount due from an associate of HK$4,018,000 as a result of the deconsolidation of the Disposal Group; (iv) estimated legal and professional fees for this transaction of approximately HK$3,000,000; and (v) estimated gross cash proceeds of approximately HK$100,000. The cumulative exchange translation reserve of HK$18,712,000 would be transferred directly to accumulated deficit in equity upon the Disposal as they are the exchange differences arising from translation of functional currency to presentation currency.

Disposal at 1 January 2011:

	HK$'000
Net liabilities disposed of	(353,020)
Non-controlling interest – surplus	9,628
	(362,648)
Legal and professional fees	3,000
Impairment loss on amount due from Disposal Group	420,772
Impairment loss on amount due from an associate	4,018
Pro forma loss on disposal, net of impairment loss on amount due from the Disposal Group and an associate	(65,042)
Total cash consideration	100

The final gain or loss on the Disposal may be different from the amount described above and would be subject to the assets and liabilities of the Disposal Group on the date of disposal.

(f) The adjustments are to exclude the cash flows of the Disposal Group for the six months ended 30 June 2011 which are extracted from the unaudited financial information of the Disposal Group for the six months ended 30 June 2011, as the Disposal is assumed to be taken place on 1 January 2011.

(g) The adjustment represents the pro forma net cash outflow amounting to approximately HK$73,696,000 resulting from the Disposal, assuming the Disposal had taken place on 1 January 2011. The net cash outflow of HK$73,696,000 represents the estimated cash consideration for the Disposal of HK$100,000 less bank balances and cash of the Disposal Group on 1 January 2011 amounting to approximately HK$70,796,000 and the estimated legal and professional fees of HK$3,000,000.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA NEW ENERGY POWER GROUP LIMITED

We report on the unaudited pro forma financial information of China New Energy Power Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed disposal of the entire interest in and the assignment of the shareholder's loan in Wood Art International Corporation might have affected the financial information presented, for inclusion in Appendix II of this circular dated 12 December 2011 issued by the Company (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 to II-9 in the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30 June 2011 or any future date; or
- the results and cash flows of the Group for the six months ended 30 June 2011 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 December 2011

1. INDEBTEDNESS

At the close of business on 31 October 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of approximately HK$478.5 million. The borrowings comprised (i) bank loans of the Group of approximately HK$79.1 million secured by property, plant and equipment and land use rights of the Group; (ii) unsecured other borrowings of the Group of approximately HK$3.3 million; (iii) unsecured convertible notes issued by the Group of aggregate principal amount of approximately HK$396.0 million; and (iv) an obligation under a finance lease of approximately HK$0.1 million.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 October 2011 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated in HK dollars at the approximate exchange rates prevailing at the close of business on 31 October 2011.

2. WORKING CAPITAL

The Directors are of the opinion that taking into account (i) the Group's internal resources; and (ii) the cash outflows in connection with the Disposal; as well as assumptions that (i) a shareholder and Joint Chairman of the Company will be able and willing to provide continuing financial support to the Group by providing adequate funds to meet the Group's financial obligations as they fall due; (ii) the Group will be able to continue to roll over its bank borrowings; (iii) the Group will be able to raise additional bank borrowings, if required, to finance its property development business through pledge of its land use rights; and (iv) the Group will be able to make a future placing of new shares and convertible notes to raise additional funds to improve the Group's liquidity position and to finance its future acquisition, and in the absence of unforeseen circumstances, the Group will have sufficient working capital for a period of 12 months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECTS

Following the completion of the Disposal, awaiting the completion of the LEG Acquisition, property development business will become the then principal business of the Remaining Group.

In a continuous effort to enhance the Remaining Group's value and broaden the Remaining Group's income, the Directors consider that the Disposal is advantageous for the Group and enables the Remaining Group to devote its resources to the remaining businesses and the upcoming new energy business in a more effective and efficient manner.

Moreover, the Directors consider that sufficient funds raised by means of the placing of new Shares and convertible notes with the completion of the LEG Acquisition could further strengthen the financial position of the Remaining Group, and that the Disposal will have a positive impact on the Remaining Group's operational and financial prospects in the long term.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis of the operating results and business review of the Remaining Group for the three years ended 31 December 2010 and the six months ended 30 June 2011.

For the six months ended 30 June 2011

FINANCIAL RESULTS

As at 30 June 2011 and assuming that the Group's disposal of its interest in Wood Art (the "Disposal") had been taken place on 1 January 2011 as set out in the unaudited pro forma consolidated statement of comprehensive income in Appendix II to this Circular, the Disposal would have reduced revenue and gross loss of the Remaining Group for the period ended 30 June 2011. Compared to the period ended 30 June 2010, the Remaining Group's revenue become zero (2010: HK$17.67 million) and gross loss become zero (2010: HK$0.62 million) were due to the fact that property development business of the Remaining Group was still at development stage and no revenue was generated in the period.

Meanwhile, the Remaining Group recorded a loss of approximately HK$613.68 million during the period ended 30 June 2011, the loss was mainly due to the change in fair value of financial instruments and the estimated loss on Disposal had it been happened in 1 January 2011.

FUTURE PROSPECTS

Despite the sovereign debt crises in Europe and the United States, China has managed to stay relatively intact without a direct impact on its economy and maintain a fast rate of growth.

On the other hand, as China is confronted by intense inflationary pressure, the PRC Government has increased interest rates twice in the first half of 2011 and raised the bank reserve requirements for six times in order to control money supply more stringently. In addition, most of the first-tier Mainland cities such as Beijing and Shanghai have imposed restrictions on property purchases. The PRC Government is gradually extending similar purchase restrictions to second and third-tier cities.

Since the property development project of the Remaining Group is still under development, the impact of various restrictive measures currently implemented by the PRC Government has yet to affect the Remaining Group severely. The Remaining 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 Remaining 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 the shareholders.

On 13 January 2011, Fulbond Investments, a wholly owned subsidiary of the Company, and Hefu, an independent third party, entered into an acquisition agreement (the "LEG Acquisition Agreement"), pursuant to which the Fulbond Investments conditionally agreed to acquire an aggregate of 50,000 shares of US$1.00 each in the share capital of LEG, which represents its entire issued share capital, and the shareholder's loan at a consideration of HK$900 million (the "LEG Acquisition").

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

Liquidity and Financial Resources

As at 30 June 2011, the Remaining Group's bank balances and cash was approximately HK$40.74 million. The bank and other borrowings amounted to approximately HK$3.64 million.

As at 30 June 2011, the current ratio (current assets/current liabilities) was 9.56 times and the net current assets amounted to approximately HK$660.06 million.

During the reporting period, net cash used in operating activities was approximately HK$25.57 million.

VERY SUBSTANTIAL ACQUISITION AND PLACING ARRANGEMENTS

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

LEG holds 100% of the issued share capital of Lithium HK. Upon completion of reorganization, Lithium HK will hold approximately 100% equity interests of a group of PRC companies 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 LEG Acquisition Agreement, Hefu has guaranteed to the Remaining Group that the audited consolidated net profit of LEG Group for the financial year of the completion date of the LEG 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 LEG Acquisition Agreement.

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 Remaining Group intends to apply the net proceeds arising from the Placing to satisfy (i) the consideration in respect of the LEG Acquisition; (ii) provide general working capital for the Remaining Group and/or as funds for the Remaining 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 Remaining 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 Remaining 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, a wholly owned subsidiary of the Company, entered into a management agreement with 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.

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 period, 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 30 June 2011, the Remaining Group's gearing ratio calculated on the basis of convertible notes, bank and other borrowings of approximately HK$1,303.72 million and total assets of approximately HK$745.93 million, was 63.61%.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Remaining Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Remaining Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and RMB borrowings. As RMB appreciation is expected to continue in the foreseeable future and the Remaining Group's operating income is substantially denominated in RMB, the Remaining Group did not perform any foreign currency hedging activities during the reporting period. Nevertheless, the Remaining Group will from time to time review and adjust the Remaining Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

PLEDGE OF ASSETS

At the end of the reporting period, no asset had been pledged by the Remaining Group.

CONTINGENT LIABILITIES

The Directors of the Company confirm that the Remaining Group has no significant contingent liability as at 30 June 2011.

EMPLOYEES AND REMUNERATION POLICIES

As of 30 June 2011, the Remaining Group had approximately 50 full time management, administrative and production staff in the PRC and Hong Kong, total remuneration paid to employees of the Remaining Group during the six months ended 30 June 2011 amounted to approximately HK$4.14 million.

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

For the year ended 31 December 2010

FINANCIAL RESULTS

For the year ended 31 December 2010, the Remaining Group's revenue from food processing and distribution business decreased to approximately US$2.28 million from approximately US$38.06 million in last year, such a tumble was mainly due to the exclusion of revenue generated from the food processing business since its being disposed of by the Remaining Group at early of the year.

Net loss in the fair value on derivative financial instruments and warrants through profit or loss reflected a loss of approximately US$94.02 million. Because of this, the Remaining Group recorded an overall loss of approximately US$100.79 million in the financial year ended 31 December 2010.

Loss for the year attributable to owners of the Company amounted to approximately US$100.57 million increased from US$53.43 million in last year.

FUTURE PLANS AND PROSPECTS

Upon completion of the acquisition of Allywing and Xi'an Yuansheng, we commenced our groundwork on the new business immediately. With the few months of operations, we are glad to see the potential growth in value of the development site as recent district development plans indicates that the surrounding areas of the land will have substantial developments including commercial areas, exhibition centre, luxury hotel and other high class buildings.

For property development business, the Remaining Group expects that PRC government will maintain a rather stringent control policy on property sector within a certain period in the future. However, having considered such long-term factors as the continuous growth in the economy of PRC, unceasing acceleration of urbanization and the appreciation in value of RMB, the Remaining Group remains cautious yet positive view towards the prospects of property development business in PRC.

Looking forward, we keep our eyes on the Greater China market, especially those industries encouraged by various measures of the PRC government while at the same time we will put possible efforts to advance the Remaining Group's portfolio to extensively enhance our number of growth engines. In February 2011, the Company announced its proposed diversification of businesses into the new energy vehicles business through the acquisition of LEG.

Committed to the two-prong growth strategy, we are confident to deliver fruitful returns to our shareholders.

REVIEW OF FINANCIAL RESULTS

Revenue

For the year ended 31 December 2010, the Remaining Group's revenue from continuing and discontinued operations decreased to approximately US$2.28 million from approximately US$38.06 million in last year, representing a decrease of approximately 94.01%.

Segmental Results

In the current year, the operations of investment in securities and property development were introduced to the Remaining Group but the operation of food processing and distribution was discontinued.

There was no revenue generated from the operation of property development for the year and its segmental result suffered a loss of approximately US$0.51 million.

There was no revenue generated from the operation of investment in securities for the year and its segmental result suffered a loss of approximately US$1.15 million.

The turnover of food processing and distribution business for the year decreased to approximately US$2.28 million from approximately US$38.06 million in 2009, representing a decrease of approximately 94.01%. Such a decrease was due to only 19 days sales figures before completion of disposal of Prowealth on 19 January 2010. The segment result of the food processing and distribution business had suffered a loss of approximately US$0.10 million from loss of approximately US$0.13 million in 2009, as a result of deteriorating performance in the food processing and distribution business in 2010.

Cost of Sales

The Remaining Group's cost of sales from continuing and discontinued operations for the year dropped to approximately US$2.20 million from approximately US$35.75 million in last year, representing a decline of approximately 93.85%.

Gross Profit

The Remaining Group's gross profit for the year decreased to approximately US$0.08 million from approximately US$2.31 million in last year, representing a drop of approximately 96.54%. Accordingly, the gross profit margin dropped to approximately 3.51% for the year from approximately 6.07% in year 2009.

Other Income

The Remaining Group's other income for the year decreased to approximately US$0.10 million from approximately US$6.83 million of last year, representing a decrease of approximately 98.54%.

Other Gains and Losses

Other losses of the Remaining Group amounted to approximately US$90.17 million for the year while the Remaining Group recorded a loss of approximately US$42.38 million in last year. The significant loss was mainly due to (i) the net losses in fair values on derivative financial instruments and warrants of approximately US$94.02 million (2009: approximately US$47.04 million) which comprised loss on initial recognition of convertible notes of approximately US$83.44 million (2009: approximately US$16.09 million), net losses in fair value of embedded conversion option and early redemption option of convertible notes of approximately US$17.87 million (2009: approximately US$16.77 million) and net gain on fair value of warrants of approximately US$7.29 million (2009: loss of approximately US$14.18 million); (ii) net gain on early redemption of convertible notes of approximately US$4.77 million (2009: approximately US$5.08 million) and (iii) the net loss on held-for-trading investments of approximately US$1.14 million (2009: Nil).

Selling and Distribution Costs

The Remaining Group's selling and distribution costs for the year decreased to approximately US$0.02 million from approximately US$1.11 million in last year, representing a decrease of approximately 98.20%.

Administrative Expenses

The Remaining Group's administrative expenses from continuing and discontinued operations for the year slightly increased to approximately US$7.42 million from approximately US$6.33 million in last year, representing an increase of approximately 17.22%.

Impairment Loss Recognised in Respect of Intangible Assets

During the year ended 31 December 2009, impairment loss of approximately US$2.00 million had been recognised in respect of customer relationship and license which were attributable to the food processing and distribution segment. However, there was no such impairment loss recognised in respect of intangible assets in the current year.

Finance Costs

The Remaining Group's finance cost for the year dropped to approximately US$3.36 million from approximately US$7.06 million in last year, representing an improvement of approximately 52.41%. The improvement was mainly resulted from redemption of the Sun Boom Convertible Note and the Wise Virtue Convertible Note.

Loss for the Year

The Remaining Group's loss for the year attributable to owners of the Company increased to approximately US$100.57 million from approximately US$53.43 million in last year.

BUSINESS REVIEW

The Company reviewed the existing businesses of the Remaining Group and considered to consolidate certain of its operations. Restructuring of certain of its existing businesses, disposal of under-performing operations of the Remaining Group as well as exploration of other business and potential investment opportunities are under consideration.

Food Processing and Distribution Business

In December 2009, the Company entered into an agreement with a party connected to the Remaining Group, to dispose all of its entire interests in Prowealth and its subsidiaries (the "Disposal of Prowealth"), which carried out all of the Remaining Group's food processing and distribution business. The Disposal of Prowealth was subsequently approved by its shareholders on 18 January 2010 and completed on 19 January 2010. It resulted in a gain on the disposal of approximately US$0.20 million.

A loss of approximately US$0.10 million together with the shrunken turnover of approximately US$2.28 million represented the segment result for the 19 days period before the completion of the Disposal of Prowealth.

Property Development

During the year under review, the Remaining Group acquired the entire equity interest and shareholder's loan in Allywing for a consideration of RMB284.85 million (approximately US$41.92 million) (the "Acquisition of Xi'an Yuansheng"). Allywing owns 60% equity interest in Xi'an Yuansheng. The Acquisition of Xi'an Yuansheng symbolizes the Remaining Group's diversification of business into the business of property development.

According to the latest development plan, the Remaining Group will develop the land at Xi'an city, the PRC as an area which consists of luxury residential buildings and commercial buildings by several phases. For the past few months, the Group commenced certain groundworks on this new business of the Group.

Since the Remaining Group did not recorded any revenue from the property development business, a loss of approximately US$0.51 million was resulted for the period between the completion date of the Acquisition of Xi'an Yuansheng and 31 December 2010.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December, 2010, the Remaining Group's cash and bank balances amounted to approximately US$9.34 million (as at 31 December 2009: approximately US$20.68 million), representing a decline of approximately US$11.34 million. As at 31 December 2010, the bank and other borrowing amounted to approximately US$0.46 million (as at 31 December 2009: approximately US$13.62 million).

During the year, the net cash used in investing activities was mainly due to settlement of purchase consideration for the Acquisition of Xi'an Yuansheng amounting to approximately US$38.22 million. The net cash generated from financing activities was mainly due to net proceeds from the issue of convertible notes of approximately US$64.43 million. The net decrease in cash and cash equivalents during the year was approximately US$11.34 million.

Exercise of Warrants

During the year, registered holders of 1,229,538,456 warrants exercised their rights to subscribe for 1,229,538,456 ordinary shares in the Company at HK$0.026 per share. The fair value gain of approximately US$0.88 million was recognized in respect of fair value changes of the warrant from 1 January 2010 to the dates immediately prior to each exercise dates. A gain of approximately US$6.41 million was recorded upon the expiry of the remaining outstanding 1,980,923,092 warrants on 20 July 2010.

Issue of Convertible Notes

On 6 August 2009, the Company announced that a placing agreement (the "Fulbond CN Placing Agreement") was entered between the Company and a placing agent (the "Placing Agent"), whereby the Placing Agent conditionally agreed to place, on a best efforts basis, zero coupon convertible notes in a maximum aggregate principal amount of HK$800 million (equivalent to approximately US$103.23 million) (the "Fulbond Convertible Notes") which are convertible into ordinary shares of the Company at a conversion price of HK$0.01 per share. All the Fulbond Convertible Notes will mature on 28 December 2012 and can only be redeemed at par at the discretion of the issuer in whole or in part anytime before the maturity date.

The resolution approving the Fulbond CN Placing Agreement was passed at the special general meeting of the Company held on 16 October 2009. The placing of the first tranche Fulbond Convertible Notes in the aggregate principal amount of HK$450 million took place in 2 tranches on 29 December 2009 and 14 January 2010. Total fair value of the remaining portion of the first tranche Fulbond Convertible Notes in an aggregate principal amount of HK$250 million at 14 January 2010 was approximately US$92.63 million, representing a loss on initial recognition of US$60.40 million recognised in profit or loss. During the year ended 31 December 2010, an aggregate fair value gain of approximately US$18.04 million in respect of the outstanding first tranche Fulbond Convertible Notes was recognised in the profit or loss.

The resolution approving the placing of the second tranche Fulbond Convertible Notes was passed at the special general meeting of the Company held on 20 July 2010. On 2 August 2010, the Listing Committee of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), upon application by the Company, granted on a conditional basis the listing of and permission to deal in the Conversion Shares (as defined in circular dated 28 June 2010) which may fall to be issued on exercise of the conversion rights attaching to the second tranche Fulbond Convertible Notes in an aggregate principal amount of HK$250 million (the "HK$250 million CN"). The placing of the HK$250 million CN was completed on 10 August 2010. The total fair value of the note at 10 August 2010 is approximately US$55.25 million representing a loss on initial recognition of approximately US$23.05 million recognised in profit or loss. During the year ended 31 December 2010, an aggregate fair value loss of approximately US$7.66 million in respect of the outstanding second tranche Fulbond Convertible Notes was recognised in the profit or loss.

The remaining unissued tranche of Fulbond Convertible Notes of HK$100 million (equivalent to US$12.85 million) expired in October 2010.

In view of its strong liquidity and financial position, we will have sufficient resources to fund the daily operations and capital expenditure commitments and potential investment.

Redemption of Convertible Notes

On 10 December 2009, Sun Boom Limited and Wise Virtue Holdings Limited transferred the April Convertible Note, May SPA Convertible Note, Sun Boom Convertible Note and Wise Virtue Convertible Note to a private investment institution independent of the Company.

On 14 January 2010, the conversion price of Sun Boom Convertible Note and Wise Virtue Convertible Note was adjusted from HK$0.047 to HK$0.044 per share as a result of the completion of the placing of the remaining first tranche Fulbond Convertible Notes. As a result of the adjustment of conversion price, a net gain of approximately US$0.65 million was recognised in the profit or loss in the year.

On 4 March 2010, the holder of Sun Boom Convertible Note and Wise Virtue Convertible Note exercised their options to require the Company to redeem the remaining of Sun Boom Convertible Note and Wise Virtue Convertible Note at the principle amount of approximately US$6.44 million and approximately US$10.34 million, respectively. During the period up to the date of redemption, a fair value gain of approximately US$4.44 million was recognised in the profit and loss account. An aggregate gain on early redemption of these convertible notes of approximately US$4.77 million was recognised in the profit or loss.

Conversion of Convertible Notes

During the year, the holders of the first tranche Fulbond Convertible Notes exercised its option to convert the convertible note in the aggregate principle amount of HK$270 million to ordinary shares of the Company. The aggregate loss on fair value change of the first tranche Fulbond Convertible Notes being converted during the year of approximately US$32.11 million was recognised in profit or loss.

During the year, the holders of the second tranche Fulbond Convertible Notes exercised its option to convert the convertible note in the aggregate principle amount of HK$34 million to ordinary shares of the Company. The aggregate loss on fair value change of the second tranche Fulbond Convertible Notes being converted during the year of approximately US$1.23 million was recognised in profit or loss.

MATERIAL DISPOSAL OF SUBSIDIARIES

The Disposal of Prowealth was approved by the shareholders of the Company and completed on 19 January 2010. Upon completion of the Disposal of Prowealth, the Prowealth has ceased to be subsidiaries of the Company. Part of the consideration in the sum of HK$122 million was received in December 2009, the remaining balance of the consideration in the sum of HK$43 million shall be receivable on or before 20 July 2011.

MATERIAL ACQUISITION AND CONNECTED TRANSACTIONS

Property development project in Xi'an city, PRC

The Acquisition of Xi'an Yuansheng was completed on 13 August 2010. Following the completion of the Acquisition of Xi'an Yuansheng, Allywing has become a wholly-owned subsidiary of the Company and Xi'an Yuansheng has become a non-wholly owned subsidiary of the Company. Referring to the announcement dated on 13 August 2010, the payment of the consideration amounting to RMB284.85 million was arranged as (i) an amount of RMB260.85

million was paid in cash to Mr. Zhang Xi on 13 August 2010; (ii) the remaining balance of RMB24 million shall be retained and applied to satisfy the Second Stage Capital Increase (as defined in the circular dated 28 June 2010) after completion of the Acquisition.

With reference to the announcement dated 29 November 2010 and the circular dated 20 December 2010, on 29 November 2010, Allywing entered into a management agreement with Harvest Day, a company of which 60% issued share capital is owned by sister of Mr. Zhang Xi, the chairman and executive Director of the Company. Pursuant to the agreement, Harvest Day would provide management and consultancy services to Allywing in connection with the property development project in Xi'an city, PRC. 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 cap 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.

ACQUISITION OF LITHIUM ENERGY AND ELECTRIC VEHICLE BUSINESSES

After the year-end date, the Remaining Group entered into an acquisition agreement, pursuant to which the Remaining Group has conditionally agreed to acquire the entire issued shares and shareholders' loan of LEG at the consideration of HK$900 million. HK$370 million of the consideration shall be settled in cash while the remaining HK$530 million shall be settled by way of allotment and issue of shares.

LEG holds 100% of the issued share capital of Lithium HK. Upon completion of reorganization, Lithium HK will hold 100% equity interests in a group of PRC companies that 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.

MATERIAL CONTINGENT LIABILITIES

The Remaining Group is not aware of any material contingent liabilities as at 31 December 2010.

CAPITAL STRUCTURE

As at 31 December 2010, the Remaining Group's total borrowing calculated on the basis of warrants, convertible notes, bank and other borrowings of approximately US$102.22 million (as at 31 December 2009: approximately US$97.16 million).

PLEDGE OF ASSETS

At the end of the reporting period, no asset had been pledged by the Remaining Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Remaining Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Remaining Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and RMB borrowings. As RMB appreciation is expected to continue in the foreseeable future and the Remaining Group's operating income is substantially denominated in RMB, the Remaining Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Remaining Group will from time to time review and adjust the Remaining Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

HUMAN RESOURCES

The Remaining Group highly values its human resources and aims to attract, retain and develop high caliber individual committed to attaining our objectives. As at 31 December 2010, the Remaining Group had approximately 40 employees in HK and PRC, total remuneration paid to employees of the Remaining Group for the year was approximately US$2.43 million. Employees of the Remaining Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from discretionary performance bonus, the Remaining Group also provides other benefits such as medical insurance. The Company also operates a share option scheme for granting of options to eligible employees and Directors.

For the year ended 31 December 2009

FINANCIAL RESULTS

For the year ended 31 December 2009, the Remaining Group's revenue from continuing and discontinued operations increased to approximately US$38.06 million from approximately US$14.43 million last year, representing an increase of approximately 163.76%.

The Remaining Group's gross profit for the year decreased to approximately US$2.31 million from approximately US$2.77 million last year, representing a drop of approximately 16.61%. Accordingly, the gross profit margin dropped to approximately 6.07% for the year from approximately 19.20% in 2008.

The Remaining Group loss for the year attributable to owners of the Company increased to approximately US$53.43 million from approximately US$23.31 million last year.

BUSINESS REVIEW

The Company reviewed the existing businesses of the Remaining Group and considered to consolidate certain of its operations. Restructuring of certain of its existing businesses and disposal of under-performing operations of the Remaining Group are under consideration.

Food Processing and Distribution Business

During the year, the segment result of the food processing and distribution business had suffered a loss of approximately US$0.13 million from a profit of approximately US$1.90 million last year. The performance of this segment falls short of the expectation of the Remaining Group as a result of the impact of the recent unstable global financial economy on the segment's major trading markets, namely, the United States of America ("USA") and Canada. In December 2009, the Company has entered into an agreement with a party connected to the Remaining Group, to dispose all of its entire interests in Prowealth and its subsidiaries, which carried out all of the Remaining Group's food processing and distribution business. The Disposal of Prowealth was subsequently approved by its shareholders on 18 January 2010 and completed on 19 January 2010.

The Company's management continued to make efforts to restructure the business of the Remaining Group in order to improve the Remaining Group's overall competitiveness and profitability. The Group has been making losses since 1999, but managed to maintain a healthy cash position as at 31 December 2009. The segment's performance continue to be adversely impacted by the deteriorated demand in the USA, the Remaining Group is at risk of depleting its healthy cash position. Furthermore, turnover of this segment has been diminishing since the acquisition by the Group and the results has shifted from profit making prior to the acquisition to loss making thereafter. Taking into account the expected continuation of the deterioration of this segment's profitability due to weakened demand in the USA market and the purchase and processing costs of the food business remaining to be high in the PRC, the Company views that the disposal may avoid further deterioration of the commercial value of this segment to be borne by the Remaining Group and may limit the potential adverse impact of this segment to the Remaining Group's overall financial position.

Notwithstanding that the Company would suffer a loss on disposal, the Company was of the view that the disposal is conducted in the ordinary and usual course of the Remaining Group's business and in the interests of both the Company and the shareholders as a whole in that respect.

Revenue

For the year ended 31 December 2009, the Remaining Group's revenue from continuing and discontinued operations increased to approximately US$38.06 million from approximately US$14.43 million last year, representing an increase of approximately 163.76%.

Segmental Results

The turnover of food processing and distribution business for the year increased to approximately US$38.06 million from US$14.43 million since acquisition in 2008, representing an increase of approximately 163.76%. The segment result of the food processing and distribution business had suffered a loss of approximately US$0.13 million from profit of approximately US$1.90 million in 2008, as a result of deteriorating performance in the food processing and distribution business in 2009.

Cost of Sales

The Remaining Group's cost of sales for the year increased to approximately US$35.75 million from approximately US$11.66 million last year, representing an increase of approximately 206.60%.

Gross Profit

The Remaining Group's gross profit for the year decreased to approximately US$2.31 million from approximately US$2.77 million last year, representing a drop of approximately 16.61%. Accordingly, the gross profit margin dropped to approximately 6.07% for the year from approximately 19.20% in 2008.

Other Gains and Losses

Other losses of the Remaining Group amounted to approximately US$42.03 million for the year while the Remaining Group recorded a gain of approximately US$3.09 million last year. The significant loss was mainly due to the net losses in fair values of derivative financial instruments and warrants of approximately US$47.04 million which comprised loss on initial recognition of convertible notes of approximately US$16.09 million (2008: gain on initial recognition approximately US$0.18 million), net losses in fair value of embedded conversion option and early redemption option of convertible notes of approximately US$16.77 million (2008: gain in fair value of approximately US$1.91 million) and net losses on fair value of warrants of approximately US$14.18 million (2008: gain on fair value of approximately US$0.18 million).

Selling and Distribution Costs

The Remaining Group's selling and distribution costs for the year slightly increased to approximately US$1.11 million from approximately US$0.27 million last year, representing an increase of approximately 311.11%. This was mainly due to the full inclusion of food processing and distribution business in the year but less than 1 year period was accounted for in last year since the segment result was included only from October 2008.

Administrative Expenses

The Remaining Group's administrative expenses for the year increased to approximately US$6.33 million from approximately US$3.90 million last year, representing an increase of approximately 62.31%.

Impairment Loss Recognised in Respect of Intangible Assets

During the year ended 31 December 2009, impairment losses of approximately US$1.96 million and approximately US$0.05 million, have been recognised in respect of customer relationship and license, respectively, which are attributable to the food processing and distribution segment.

Finance Costs

The Remaining Group's finance cost for the year raised to approximately US$7.06 million from approximately US$2.73 million last year, representing an increase of approximately 158.61%. The significant increase was mainly due to the increase of interest expenses on the convertible notes.

Loss for the Year

The Remaining Group loss for the year attributable to owners of the Company increased to approximately US$53.43 million from approximately US$23.31 million last year.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2009, the Remaining Group's cash and bank balances amounted to approximately US$20.68 million (as at 31 December 2008: approximately US$1.89 million), representing an increase of approximately US$18.79 million. As at 31 December 2009, the bank and other borrowing amounted to approximately US$13.62 million (as at 31 December 2008: approximately US$13.04 million).

During the year, the net cash from investing activities was mainly due to deposits received from the proposed disposal of subsidiaries amounted approximately US$15.74 million. The net cash from financing activities was mainly due to proceed from exercise of warrants amounted to US$3.55 million and net proceeds from the issue of convertible notes of approximately US$25.29 million. As a result, the net increase in cash and cash equivalents during the year was US$18.79 million.

Exercise of warrants

On 6 August 2009, the subscription price under the terms of the warrants was adjusted downwards from HK$0.074 to HK$0.026 with effect from 6 August 2009 as a result of the proposed placing of the Fulbond Convertible Notes and the total number of warrants was adjusted to 4,269,230,769. Subsequent to the price adjustments, registered holders of 1,058,769,221 warrants exercised their rights to subscribe for 1,058,769,221 ordinary shares in the Company at HK$0.026 per share. The aggregate fair value of warrants exercised at the dates immediately before the exercise was approximately US$3.77 million.

Redemption of convertible notes

On 10 December 2009, Sun Boom and Wise Virtue transferred the April Convertible Note, May SPA Convertible Note, Sun Boom Convertible Note and Wise Virtue Convertible Note to a private investment institution independent to the Group.

On 29 December 2009, the conversion price of the April Convertible Note, May SPA Convertible Note, Sun Boom Convertible Note and Wise Virtue Convertible Note was adjusted from HK$0.086 to HK$0.047 per share. Subsequent to the adjustment, on 30 December 2009, the holders of the April Convertible Note, May SPA Convertible Note and Sun Boom Convertible Note have exercised their options to require the Company to redeem the convertible note at the principle amount of US$3.7 million, approximately US$15.61 million and approximately US$3.95 million, respectively. An aggregate gain on early redemption of these convertible notes of approximately US$5.08 million was recognised in profit or loss.

Issue of Fulbond Convertible Notes

On 6 August 2009, the Company announced that a Placing Agreement was entered between the Company and the Placing Agent, whereby the Placing Agent has conditionally agreed to place, on a best efforts basis, zero coupon convertible notes in a maximum aggregate principal amount of HK$800 million (the "Fulbond Convertible Notes") which are convertible into ordinary shares of the Company at a conversion price of HK$0.01 per share. Pursuant to the Placing Agreement, the Company and the Placing Agent agreed that the placing can be completed partially by a maximum of 8 tranches provided that the aggregate principal amount of the convertible notes to be issued by the Company for each partial completion shall not be less than HK$100 million and in multiple of HK$5 million.

On 28 September 2009, the Company issued a circular in connection with the placing, whose proceeds will provide additional funding to the Group and redemption of existing convertible notes issued by the Company. The placing shall proceed in two tranches namely, the first tranche Fulbond Convertible Notes and the second tranche Fulbond Convertible Notes. Both the first tranche Fulbond Convertible Notes (up to the aggregate principal amount of HK$450 million) and the second tranche Fulbond Convertible Notes (up to the aggregate principal amount of HK$350 million) fall under the placing subject to and upon the terms and conditions under the Placing Agreement. On 22 December 2009, the Stock Exchange has, upon application by the Company, granted, on a conditional basis, the listing of and permission to deal in a maximum of 20,000 million conversion shares in an aggregate sum of HK$200 million at the initial conversion price of HK$0.01 per share.

The partial completion of the placing of the first tranche Fulbond Convertible Notes in the aggregate principal amount of HK$200 million took place on 29 December 2009. The placing of the remaining first tranche Fulbond Convertible Notes in an aggregate principal amount of HK$250 million was completed on 14 January 2010.

In view of its strong liquidity and financial position, we will have sufficient resources to fund the daily operations and capital expenditure commitments and potential investment.

MATERIAL DISPOSAL OF SUBSIDIARIES

On 4 December 2009, the Remaining Group entered into an agreement with Sincerity Shine, being a party connected to the Remaining Group, to dispose all of its entire interests in Prowealth and its subsidiaries, which carried out all of the Remaining Group's food processing and distribution operations. 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 Remaining Group in October 2008. The Disposal of Prowealth was subsequently approved by the shareholders of the Company on 18 January 2010 and completed on 19 January 2010.

The net proceeds from the Disposal of Prowealth is expected to be less than the net carrying amount of the relevant assets and liabilities. Accordingly an impairment loss of intangible assets of approximately US$2 million has been charged to profit or loss in the consolidated statement of comprehensive income.

MATERIAL CONTINGENT LIABILITIES

The Remaining Group is not aware of any material contingent liabilities as at 31 December 2009.

CAPITAL STRUCTURE

As at 31 December 2009, the Remaining Group's total borrowing calculated on the basis of warrants, convertible notes, bank and other borrowings of approximately US$97.16 million (as at 31 December 2008: approximately US$52.11 million).

Subsequent to the price adjustments from HK$0.074 to HK$0.026 on 6 August 2009, registered holders of 1,058,769,221 warrants in November and December exercised their rights to subscribe for 1,058,769,221 ordinary shares in the Company at HK$0.026 per share. As at 31 December 2009, the number of the Company's issued shares was enlarged to 14,013,388,976 shares.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Remaining Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Remaining Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and RMB borrowings. As RMB appreciation is expected to continue in the foreseeable future and the Remaining Group's operating income is substantially denominated in RMB, the Remaining Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Remaining Group will from time to time review and adjust the Remaining Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

HUMAN RESOURCES

The Remaining Group highly values its human resources and aims to attract, retain and develop high caliber individual committed to attaining our objectives. As at 31 December 2009, the Remaining Group had approximately 1,300 employees in HK and PRC, total remuneration paid to employees of the Remaining Group for the year was approximately US$1.05 million. Employees of the Remaining Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from discretionary performance bonus, the Remaining Group also provides other benefits such as medical insurance. The Company also operates a share option scheme for granting of options to eligible employees and Directors.

For the year ended 31 December 2008

FINANCIAL RESULTS

The financial results of the food processing and distribution business was consolidated in the Remaining Group since mid-October 2008 after the completion of Acquisition of Prowealth on 17 October 2008. Before the completion of Acquisition of Prowealth, almost all the financial and business operations of the Remaining Group were related to the Wood Art Group.

Since the Acquisition of Prowealth in during the year and this business operation had become the leading source of revenue of the Remaining Group, revenue of the Remaining Group for the year was approximately US$14.43 million, all of which was contributed by the food processing and distribution business.

The loss attributable to the equity holders of the Remaining Group for the year ended 31 December 2008 amounted to US$23.31 million. The loss for the year was mainly attributable from an impairment loss in respect of goodwill of approximately US$21.34 million related to the Acquisition of Prowealth.

BUSINESS REVIEW

Food Processing and Distribution Business

On 30 May 2008, the Remaining Group issued a 6% convertible note with principal amount of HK$121 million (equivalent to US$15.51 million) with coupon interest payable semi-annually to Sun Boom Limited ("Sun Boom") for acquisition of 20% equity interest in Prowealth ("May SPA Convertible Note"). The May SPA Convertible Note is denominated in Hong Kong dollars with a conversion period of 24 months from the issue date and can be converted into ordinary shares of the Remaining Group at HK$0.086 per share. The May SPA

Convertible Note matures on 29 May 2010 and can be redeemed at par by the holder at anytime before the maturity date. The total fair value of the May SPA Convertible Note was approximately HK$118.55 million (equivalent to US$15.20 million) at 30 May 2008, representing a discount of US$0.32 million recognised as part of the investment cost in Prowealth. The Remaining Group had acquired 20% of the issued share capital of Prowealth.

Pursuant to a sales and purchase agreement (the "Agreement") between the Remaining Group, Sun Boom and Wise Virtue Holdings Limited ("Wise Virtue") to purchase the remaining issued share capital of Prowealth at a consideration of HK$484 million (equivalent to US$62.35 million) satisfied by the issue of 3,756,840,000 ordinary shares of the Remaining Group at HK$0.086 per share ("Consideration shares"), and HK$80.27 million (equivalent to US$10.34 million) convertible note to Wise Virtue ("Wise Virtue Convertible Note"), and issue of HK$80.65 million (equivalent to US$10.39 million) convertible note to Sun Boom ("Sun Boom Convertible Note"). The Consideration Shares were subsequently issued on 17 October 2008 at market price of HK$0.019 per share and the fair value of the Consideration Share amounted to HK$71.38 million (equivalent to US$9.20 million). The total fair value of the Sun Boom Convertible Note is approximately HK$80.11 million (equivalent to US$10.32 million) at 17 October 2008, representing a discount of US$0.07 million recognised as part of the investment cost in Prowealth. The total fair value of the Wise Virtue Convertible Note is approximately HK$79.73 million (equivalent to US$10.27 million) at 17 October 2008, representing a discount of US$0.07 million recognised as part of the investment cost in Prowealth.

As such, the Remaining Group had acquired 100% of the issued share capital of Prowealth and Prowealth had become a subsidiary of the Remaining Group in the year 2008.

The Directors believed that the acquisition of Prowealth would provide an opportunity for the Remaining Group to develop a new line of business in the food processing industry while continuing with its existing business. Prowealth specializes in processing and export of frozen seafood products. It is a wholesaler and its customers mainly comprised of Australia, Korea and USA seafood distributors and importers form other countries. The food processing and distribution business accounted for 100% of the Remaining Group revenue in 2008. With Prowealth's extensive experience and expertise in the industry, that would be able to capitalize on the growth opportunities in seafood product market in the long run.

FUTURE PLANS AND PROSPECTS

In the midst of the financial crisis spread out last year, the global economy had not been bottomed out and showed no sign of turning up. In the gloomy winter when recovery was yet to be expected, the frozen seafood products markets were in downturn, both in prices and trade volumes. The management anticipated some further setbacks in a short run, whilst in the longer run, the strong basic demand for frozen seafood products would still be a key driver to push for a quick recovery in the dawn. Whilst maintaining a positive attitude towards the prospect, the Remaining Group remained conservative in its development plans and would closely manage its implementation of the restructuring of management and business operation to keep a progressive pace in the challenging and dynamic environment.

Though the Remaining Group would still face challenges including the impact of the international financial crisis and a reduction of demand, we possess the consolidated strengths to cope with risks and challenges.

In addition, an experienced management team as well as extensive experiences on business operations, we believed that we would certainly turn adversity into opportunities, and in line with our development targets of maximizing the interests of the Remaining Group and shareholders. We believed that the Remaining Group would certainly achieve good and rapid development and create long-term, stable and increasing returns for its shareholders.

RESULTS

Revenue

The revenue of the Remaining Group for the year was approximately US$14.43 million, all were contributed from the food processing and distribution business after completion of the Acquisition of Prowealth by the Remaining Group in October 2008.

Segment Result

The segment profits of the food processing and distribution business was approximately US$1.90 million.

Cost of Sales

The Remaining Group's cost of sales from the food processing and distribution business for the year amounted to approximately US$11.66 million.

Gross Profit

The Remaining Group's gross profit from the food processing and distribution business for the year amounted to approximately US$2.77 million. The gross profit margin was 19.20%.

Impairment Loss in respect of Goodwill

The Directors reviewed goodwill on Acquisition of Prowealth with indefinite useful lives for impairment loss. Goodwill amounting to approximately US$21.34 million had been allocated to cash generating units ("CGU") of food processing and distribution segment. The recoverable amount of CGU had been determined based on a value in use calculation which used cash flow projections based on financial budgets covering a 5-year period, and discount rate of 20%. Cash flows beyond 5-year period were extrapolated using a steady 3% growth rate. This growth rate was based on the industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. In addition, other assumptions had been properly considered in the value in use calculation. To the extent that the carrying amount of any of the units exceeded the recoverable amount of the unit, impairment loss had been allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. As at 31 December 2008, the Remaining Group recognised impairment loss of US$21.34 million in relation to goodwill arising on acquisition of Prowealth.

Finance Costs

Finance costs of approximately HK$2.73 million for the year 2008 was mainly attributable to the effective interest expenses on convertible notes issued during the year.

Loss for the Year

The loss attributable to the equity holders of the Remaining Group for the year amounted to US$23.31 million. The loss for the year was mainly attributable from an impairment loss recognized in respect of goodwill of approximately US$21.34 million related to the acquisition of the Prowealth.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Remaining Group's cash and cash equivalents amounted to US$1.89 million. During the year, net cash inflow from financing activities was mainly due to proceed of approximately US$3.70 million from the issue of convertible note during the year.

As at 31 December 2008, the Remaining Group's bank and other borrowings amounted to approximately US$13.04 million.

MATERIAL CONTINGENT LIABILITIES

The Remaining Group was not aware of any material contingent liabilities as at 31 December 2008.

CAPITAL STRUCTURE

During the year ended 31 December 2008, the Remaining Group issued 3,756,840,000 shares to Wise Virtue as consideration shares for the acquisition of Prowealth. As at 31 December 2008, the number of the Remaining Group issued shares was enlarged to 12,954,619,755 shares.

As at 31 December 2008, the Remaining Group's total borrowings calculated on the basis of warrants, convertible notes, bank and other borrowings amounted to approximately US$52.11 million.

PLEDGE OF ASSETS

At the end of the reporting period, no asset had been pledged by the Remaining Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Remaining Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Remaining Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars and RMB borrowings. As RMB appreciation is expected to continue in the foreseeable future and the Remaining Group's operating income is substantially denominated in RMB, the Remaining Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Remaining Group will from time to time review and adjust the Remaining Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

HUMAN RESOURCES

The Remaining Group highly values its human resources and aims to attract, retain and develop high caliber individual committed to attaining our objectives. As at 31 December 2008, the Remaining Group had approximately 1,300 employees in HK and PRC, total remuneration paid to employees of the Remaining Group was approximately US$0.79 million. Employees of the Remaining Group are remunerated according to their qualifications, experience, job nature, performance and with reference to market conditions. Apart from discretionary performance bonus, the Remaining Group also provides other benefits such as medical insurance. The Company also operates a share option scheme for granting of options to eligible employees and Directors.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer were as follows:

Name of Director	Nature of interests	Number of Shares (Long position)	Percentage of shareholding (approximate)
Mr. Zhang Xi	Beneficial interests	159,282,600	3.49%
Mr. Ip Cheng Kuong	Interest in controlled corporation	297,120,000	6.51%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer.

As at the Latest Practicable Date, Mr. Ip Cheng Kuong, the executive Director and joint chairman of the Company, is the chairman of Global Zone International Limited and Mr. Fei Phillip, the executive Director and vice chairman of the Company, is a director of Hefu, companies which had interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN CONTRACT OR ARRANGEMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

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

(a) the Agreement;

(b) a conditional agreement dated 13 January 2011 entered into between Fulbond Investments as purchaser, Hefu as vendor, Mr. Yeung Tsoi San, Mr. Lau Yung and Mr. Fei Phillip, collectively as the vendor's guarantors (as supplemented and amended by supplemental agreements dated 23 May 2011 and 30 September 2011), in relation to the LEG Acquisition at a consideration of HK$900 million;

(c) a conditional placing agreement dated 13 January 2011 entered into between the Company and 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) in relation to the placing of 2,941,000,000 Shares by Kingston at a placing price of HK$0.17 per Share on a best effort basis;

(d) a conditional placing agreement dated 13 January 2011 entered into between the Company and Guangdong Securities Limited ("GDS") (as supplemented and amended by side letters made between the Company and GDS on 1 February 2011, 23 May 2011 and 30 September 2011) in relation to the placing of 5,882,000,000 Shares by GDS at a placing price of HK$0.17 per Share on a best effort basis;

(e) a conditional placing agreement dated 13 January 2011 entered into between the Company and 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) in relation to the placing of non-interest bearing convertible redeemable notes to be issued by the Company in the maximum aggregate principal sum of HK$500,000,000;

(f) the loan agreement dated 23 May 2011 entered into between Lau Yung and Fulbond Investments in relation to a loan facility of up to HK$25,000,000 to be granted by Fulbond Investments to Lau Yung;

(g) the construction project management agreement dated 29 November 2010 between Allywing and Harvest Day, pursuant to which, Harvest Day agreed to provide management and consultancy services in the property project in Xi'an to Allywing at a management fee of HK$50,000,000;

(h) a conditional agreement dated 1 June 2010 entered into between Good Base Investments Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. Zhang Xi as the vendor (as supplemented and amended by a supplemental agreement dated 13 August 2010) in respect of the acquisition of the entire issued share capital in and the assignment of the shareholder's loan of Allywing at a consideration of RMB284,848,920;

(i) a capital increase agreement dated 28 May 2010 entered into between Allywing and 成都宏邦投資有限公司 (Chengdu Hongbang Investments Limited) ("Chengdu Hongbang") in relation to the increase of the registered capital of Xi'an Yuansheng from RMB20 million to RMB50 million; and

(j) the joint venture agreement and the articles of association both dated 28 May 2010 and entered into by Allywing and Chengdu Hongbang in respect of Xi'an Yuansheng.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest audited consolidated financial statements of the Group were made up.

10. QUALIFICATION OF EXPERT

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Names	Qualifications
Deloitte Touche Tohmatsu ("Deloitte")	Certified Public Accountants

The report from Deloitte is given as of the date of this circular for incorporation in this circular.

11. CONSENT

Deloitte has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and letters, as the case may be, and references to its names in the form and context in which it appears.

As at the Latest Practicable Date, Deloitte does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Deloitte does not have any direct or indirect interest in any assets which have been, since 31 December 2010, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

12. CORPORATE INFORMATION

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company in Hong Kong is located at Unit 2807, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

(b) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The company secretary of the Company is Mr. Tang Kam Shing, Roland, who is a certified public accountant and a chartered secretary in Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Unit 2807, 28th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

(a) the Memorandum of Association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the consent letter from Deloitte referred to in the paragraph headed "Consent" in this Appendix;

(d) the review report of the Wood Art Group for each of the three years ended 31 December 2010 and six months ended 30 June 2011 from Deloitte;

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

(f) the annual reports of the Company for the two years ended 31 December 2009 and 2010;

(g) this circular; and

(h) circulars of the Company dated 25 May 2011 and 24 October 2011 in relation to, inter alia, the LEG Acquisition and the Placing.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of China New Energy Power Group Limited (the "**Company**") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 29 December 2011 at 11:00 a.m. or any adjournment(s) thereof, for the purpose of considering and, if thought fit, passing with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the agreement dated 18 November 2011 (the "**Sale and Purchase Agreement**", a copy of which has been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) entered into between the Company as vendor and Intelligence International Limited as purchaser in relation to the sale and purchase of (i) 10,000 ordinary shares of US$1.00 each in the share capital of Wood Art International Corporation and (ii) the shareholder's loan due and owing to the Company by Wood Art International Corporation as at the date of completion of the Sale and Purchase Agreement for a consideration of HK$100,000.00 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) any one director of the Company (the "**Director**") be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Sale and Purchase Agreement as he/she may in his/her absolute discretion consider necessary or desirable."

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

Hong Kong, 12 December 2011

Head Office and principal place of business in Hong Kong:
Unit 2807, 28/F
The Center
99 Queen's Road Central
Central
Hong Kong

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A member of the Company entitled to attend and vote at the SGM convened by the notice of SGM is entitled to appoint one proxy or more proxies to attend and, on a poll, vote instead of him at the SGM. A proxy need not be a member of the Company.

2. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof.

3. In the case of joint holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

4. Completion and return of this accompanying form of proxy will not preclude you from attending and voting at the SGM in person should you so wish.

As at the date of this notice, 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.