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**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)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board of directors (the “Board”) of China New Energy Power Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2014*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Other income	7	<b>8,762</b>	390
Other gains and losses	8	<b>102,058</b>	25,965
Administrative expenses		<b>(8,071)</b>	(16,877)
Finance costs		<b>(5,041)</b>	(7,442)
Profit for the period	9	<b>97,708</b>	2,036
<b>Other comprehensive income (expense)</b>			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of functional currency to presentation currency		<b>(2,290)</b>	4,140
Total comprehensive income for the period		<b>95,418</b>	6,176

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME — Continued**

*For the six months ended 30 June 2014*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>97,708</b>	4,554
Non-controlling interests		<u>—</u>	<u>(2,518)</u>
		<b><u>97,708</u></b>	<b><u>2,036</u></b>
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>95,418</b>	7,152
Non-controlling interests		<u>—</u>	<u>(976)</u>
		<b><u>95,418</u></b>	<b><u>6,176</u></b>
Earnings (loss) per share	10		
— basic		<b><u>HK4.125 cents</u></b>	<u>HK0.239 cent</u>
— diluted		<b><u>HK3.009 cents</u></b>	<u>HK(0.167) cent</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	<i>Notes</i>	<b>30.6.2014</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31.12.2013 <i>HK\$'000</i> <b>(Audited)</b>
Non-current assets			
Property, plant and equipment		<b>35</b>	67
Investment properties	12	<b>88,350</b>	90,571
Other receivables	13	<b>—</b>	94,702
		<b>88,385</b>	185,340
Current assets			
Held-for-trading investments	14	<b>112,058</b>	41,486
Other receivables	13	<b>206,302</b>	205,404
Deposits and prepayments		<b>891</b>	889
Bank balances and cash		<b>131,205</b>	37,016
		<b>450,456</b>	284,795
Current liability			
Other payables	15	<b>3,892</b>	4,159
Net current assets		<b>446,564</b>	280,636
Total assets less current liability		<b>534,949</b>	465,976
Non-current liability			
Convertible notes		<b>—</b>	178,972
		<b>534,949</b>	287,004
Capital and reserves			
Share capital		<b>22,650</b>	14,895
Reserves		<b>512,299</b>	272,109
		<b>534,949</b>	287,004

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new Interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

The Group’s operations are organised based on two business activities which are also the information regularly reported to the chief operating decision maker (“CODM”). The details of operating and reportable segments of the Group are as follows:

- Investment in securities — trading of securities
- Property — property development of properties held for sale and property investment

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

### Six months ended 30 June 2014 (unaudited)

	<b>Investment in securities</b>	<b>Property</b>	<b>Total</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
<b>SEGMENT RESULT</b>	<b>70,571</b>	<b>(126)</b>	<b>70,445</b>
Unallocated corporate income			8,759
Unallocated corporate expenses			(7,941)
Other gains and losses			31,486
Finance costs			(5,041)
Profit for the period			<b>97,708</b>

Six months ended 30 June 2013 (unaudited)

	Investment in securities <i>HK\$'000</i>	Property <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT RESULT</b>	<u>(1,225)</u>	<u>(6,295)</u>	<u>(7,520)</u>
Unallocated corporate income			317
Unallocated corporate expenses			(10,506)
Other gains and losses			27,187
Finance costs			<u>(7,442)</u>
Profit for the period			<u>2,036</u>

Segment result represents profit (loss) from each segment without allocation of imputed interest income, central administrative costs, directors' salaries, finance costs, other income, and other gains and losses excluding fair value changes and gain/loss from held-for-trading investments and investment properties, which is included in the respective segment results. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

**4. RESULTS FOR THE PERIOD**

The principal activities of the Group during the current interim period are investment in securities and property business. Both of which are not affected by seasonal or cyclical factors for its operations.

**5. TAXATION**

No provision for Hong Kong Profits Tax is made as the Company and its subsidiaries incorporated in Hong Kong have no assessable profits for both periods presented.

No provision for the People's Republic of China ("PRC") Enterprise Income Tax is made as those subsidiaries established in the PRC have no assessable profits for both periods presented.

**6. DISPOSAL OF SUBSIDIARIES**

**(a) Disposal of Max Plan Investments Limited ("Max Plan") and its subsidiary (collectively referred to as "Max Plan Group") in 2013**

On 26 March 2013, Fair Power Capital Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose all of its entire interests in Max Plan and assignment of shareholders' loan at total cash consideration of US\$850,000 (approximately HK\$6,630,000). The Max Plan Group is previously principally engaged in processing and distribution of frozen seafood products and became inactive since 2010. The disposal was approved by the board of directors of the Company and completed on the same date.

The gain from disposal of the Max Plan Group is analysed as follows:

	1.1.2013 to 26.3.2013 <i>HK\$'000</i>
Gain on disposal of subsidiaries	<u>4,874</u>

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

	<i>HK\$'000</i>
Property, plant and equipment	1,708
Prepaid lease payments	5,278
Other debtors and prepayments	5,861
Bank balances and cash	61
Other payables	(5,471)
Amount due to former director	(5,681)
Amount due to immediate holding company	(6,335)
	<hr/>
Net liabilities disposed of	(4,579)
	<hr/> <hr/>
Gain on disposal of subsidiaries:	
Cash consideration received	6,630
Net liabilities disposed of	4,579
Assignment of amount due to immediate holding company	(6,335)
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Gain on disposal	4,874
	<hr/> <hr/>
Net cash inflow arising on disposal:	
Cash consideration received in 2013	6,630
Less: Cash and cash equivalent disposed of	(61)
	<hr/>
	6,569
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During the period from 1 January 2013 to 26 March 2013, the Max Plan Group had no contribution to the Group's cash flows.

**(b) Disposal of Allywing Investments Limited (“Allywing”) and its subsidiary (collectively referred as the “Allywing Group”) in 2013**

On 9 May 2013, Good Base Investments Limited (“Good Base”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Billion Sino Investments Limited (“Billion Sino”), being an independent third party to the Group, to dispose of its entire interests in Allywing (the “Allywing Disposal Agreement”) and the assignment of shareholder's loan (amounted to HK\$71,471,000 as at date of disposal) in Allywing owing to Good Base at an aggregated cash consideration of HK\$406,162,000. Xi'an Yuansheng is 60% owned subsidiary of Allywing which holds the Group's property development project. The disposal was subsequently approved by the shareholders of the Company on 17 July 2013 and completed on 3 September 2013. Details of the disposal of Allywing can be referred to the circular issued by the Company dated 27 June 2013.

The gain from disposal of Allywing Group is analysed as follows:

	1.1.2013 to 3.9.2013 <i>HK\$'000</i>
Gain on disposal of subsidiaries	61,578
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Analysis of assets and liabilities of the Allywing Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	1,345
Properties under development	652,014
Other debtors and prepayments	3,931
Bank balances and cash	5,204
Other payables	(62,509)
Amount due to non-controlling shareholders of subsidiaries	(57,127)
Amount due to immediate holding company	(71,471)
	<u>471,387</u>
Net assets disposed of	<u>471,387</u>
	<i>HK\$'000</i>
Gain on disposal of subsidiaries:	
Cash consideration received in 2013	101,478
Deferred consideration receivable ( <i>note</i> )	286,805
Net assets disposed of	(471,387)
Assignment of amount due to immediate holding company	(71,471)
Non-controlling interests	216,153
	<u>61,578</u>
Gain on disposal	<u>61,578</u>
Net cash inflow arising on disposal:	
Cash consideration received in 2013	101,478
Less: Cash and cash equivalent disposed of	(5,204)
	<u>96,274</u>

*Note:* Pursuant to the Allywing Disposal Agreement, the total consideration would be settled in four installments of which the first installment has been received in 2013. The second, third and fourth installments shall be paid on or before the date falling 9, 12 and 18 months from the date of completion of the disposal. These installments with deferred payment terms are recognised at amortised cost with discount rate, determined by the directors of the Company, for calculating the present value of each installments, by reference to the borrowing rate of the purchaser's group, which is based on RMB base lending rate from the People's Bank of China ("PBoC") of 6.6% with respect to amount due to be received within one year and RMB base lending rate from PBoC of 7.1% with respect to amount due to be received in 18 months pursuant to the Allywing Disposal Agreement. A fair value adjustment of approximately HK\$17,879,000 is recognised at the completion date.

During the period from 1 January 2013 to 3 September 2013, the Allywing Group contributed cash outflow of HK\$11,225,000 to the Group's net operating cash flows, cash outflow of HK\$468,000 in respect of investing activities and cash inflow of HK\$12,828,000 in respect of financing activities.

## 7. OTHER INCOME

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest income	263	390
Imputed interest income on deferred consideration receivables ( <i>note 13</i> )	8,499	—
	<u>8,762</u>	<u>390</u>

## 8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Fair value changes on held-for-trading investments	70,572	(1,222)
Net gain on derivative financial instruments	31,486	16,855
Gain on disposal of subsidiaries ( <i>Note 6(a)</i> )	—	4,874
Write back of other payable ( <i>Note</i> )	—	5,458
	<u>102,058</u>	<u>25,965</u>

*Note:* According to the deed of settlement entered into among the Company and its creditors, the payment made by the Group in prior year in relation to certain debts owed by a subsidiary to the creditors should be the full and final settlement of all claims and demands and the creditors shall release and discharge the Group from any and all liability howsoever arising thereunder. As such, the Group wrote back the debts remain due and owing to the creditors during the prior interim period.

## 9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	33	555
Interest expense on convertible notes	<u>5,041</u>	<u>7,442</u>

## 10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
<b>Earnings (loss):</b>		
Earnings for the purpose of basic earnings per share	97,708	4,554
Effect of dilutive potential ordinary shares:		
— Interest expense on convertible notes	5,041	7,442
— Net gain on derivative financial instruments	(31,486)	(16,855)
Earnings (loss) for the purpose of diluted loss per share	<u>71,263</u>	<u>(4,859)</u>
	Six months ended 30 June	
	2014	2013
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	2,368,614,686	1,906,073,250
Effect of dilutive potential ordinary shares in respect of convertible notes	—	1,000,000,000
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings (loss) per share	<u>2,368,614,686</u>	<u>2,906,073,250</u>

## 11. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

## 12. INVESTMENT PROPERTIES

The fair value of the Group's investment properties as at 30 June 2014 and 31 December 2013 has been arrived at on the basis a valuation carried out by Asset Appraisal Limited, independent valuers not connected with the Group. The fair value was arrived at using direct comparison method where comparison is based on prices realised or market prices of comparable properties. The valuer has used comparable properties of similar size, character and location and are analysed and weighted against all the respective advantages and disadvantages of each property and arrived at fair comparison of capital value.

No fair value change has been recognised in profit or loss for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil) and the movement of investment properties was result of exchange realignment.

### 13. OTHER RECEIVABLES

The following is an analysis of other receivables at the end of the reporting period:

	<b>30.6.2014</b> <i>HK\$'000</i>	31.12.2013 <i>HK\$'000</i>
Deferred consideration receivable for disposal of subsidiaries in prior year ( <i>note a</i> )	<b>197,655</b>	290,717
Consideration receivable for disposal of food processing and distribution operation in prior year ( <i>note b</i> )	<b>8,472</b>	9,214
Other receivables	<b>175</b>	175
	<b>206,302</b>	300,106

Analysed for reporting purposes as:

Current assets	<b>206,302</b>	205,404
Non-current assets	—	94,702
	<b>206,302</b>	300,106

*Notes:*

- a. The deferred consideration receivable represents the remaining payment from the disposal of the Group's property development project in 2013 (see note 6(b)). Pursuant to the Allywing Disposal Agreement (as defined in note 6(b)), the second, third and fourth installments of HK\$101,561,000 each, shall be repayable on or before the date falling 9, 12 and 18 months from the date of completion of the disposal (3 September 2013), respectively, therefore, the carrying amount of the deferred consideration receivable (being the present value of each of the deferred installments) from the third and fourth (2013: second and third) installments are classified as current assets and the fourth installment is classified as non-current assets in 2013, and is analysis as follows:

	<b>30.6.2014</b> <i>HK\$'000</i>	31.12.2013 <i>HK\$'000</i>
Current assets	<b>197,655</b>	196,015
Non-current assets	—	94,702
	<b>197,655</b>	290,717

The amount is unsecured and non-interest bearing. During the six months ended 30 June 2014, imputed interest income arising from the unwinding of imputed interest on amortisation of fair value adjustment of deferred consideration receivables amounts to HK\$8,499,000 is recognised in profit or loss and included in other income (six months ended 30 June 2013: Nil).

- b. The consideration receivable represents the remaining final payment from the disposal of Prowealth Holdings Group Limited and its subsidiaries in 2010, which operates the Group's food processing and distribution operation. The amount carried interest at 6% per annum.

As detailed in note 4 to the consolidated financial statements of the Group for the year ended 31 December 2013, on 29 January 2014, the Group has filed a legal proceeding to Haikou Municipal Intermediate People's Court (海口市中级人民法院) for settlement of the outstanding consideration receivable. As at the date of this report, the Group has not yet received any judgement from the Haikou Municipal Intermediate People's Court. However, the directors of the Company considered that no impairment is necessary for the current period in light of the fact that the process of recovering the debt is under legal proceeding with the relevant courts in the PRC and are of the opinion that the amount is still recoverable as the Group has received regular repayments from the counterparty amounting to HK\$1,000,000 during the current interim period and an aggregate amount of HK\$2,000,000 has been received after the end of this reporting period.

**14. HELD-FOR-TRADING INVESTMENTS**

	<b>30.6.2014</b>	31.12.2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>

Held-for-trading investments include:

Equity securities listed in Hong Kong	<b><u>112,058</u></b>	<u>41,486</u>
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The fair value of the financial assets at FVTPL is determined based on the quoted market bid prices.

**15. OTHER PAYABLES**

The following is an analysis of other payables at the end of the reporting period:

	<b>30.6.2014</b>	31.12.2013
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>

Accrued expenses	<b>3,504</b>	4,090
Other payables	<b><u>388</u></b>	<u>69</u>
	<b><u><u>3,892</u></u></b>	<u><u>4,159</u></u>

## **INTERIM DIVIDEND**

The Board did not recommend the payment of interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil). Accordingly, no closure of register of members of the Company is proposed.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL RESULTS**

#### **Revenue**

In the first half of year 2014, the Group did not record any revenue (1.1.2013 to 30.6.2013: Nil) as the investment properties held by the Group were still under renovation. As such, no cost of sales and gross profit was recorded for the reporting period (1.1.2013 to 30.6.2013: Nil).

#### **Segmental Results**

##### *Property business*

There was no revenue generated from the Group's property business for the reporting period (1.1.2013 to 30.6.2013: Nil) and its segmental result suffered a loss of approximately HK\$0.13 million (1.1.2013 to 30.6.2013: loss of approximately HK\$6.30 million).

##### *Investment in securities business*

There was no revenue generated from the investment in securities business of the Group for the reporting period (1.1.2013 to 30.6.2013: Nil) and its segmental profit was approximately HK\$70.57 million (1.1.2013 to 30.6.2013: loss of approximately HK\$1.23 million).

#### **Cost of Sales**

As there was no revenue recorded in the period under review, no cost of sales was recorded (1.1.2013 to 30.6.2013: Nil).

#### **Gross Profit or Loss**

As described above, neither gross profit nor gross loss arose in the reporting period (1.1.2013 to 30.6.2013: Nil).

#### **Other Income**

The Group's other income for the reporting period increased to approximately HK\$8.76 million from approximately HK\$0.39 million for the corresponding period in 2013. Such increase was mainly due to imputed interest income of approximately HK\$8.50 million on deferred consideration receivable.

## **Other Gains and Losses**

Other gains of the Group amounted to approximately HK\$102.06 million for the reporting period (1.1.2013 to 30.6.2013: approximately HK\$25.97 million). The gains mainly consisted of the gain on fair value change of held-for-trading investments of approximately HK\$70.57 million (1.1.2013 to 30.6.2013: a loss of approximately HK\$1.22 million) and the net gain on fair value change of derivative financial instruments of approximately HK\$31.49 million (1.1.2013 to 30.6.2013: approximately HK\$16.86 million).

## **Selling and Distribution Costs**

No selling and distribution costs were incurred by the Group for the reporting period (1.1.2013 to 30.6.2013: Nil).

## **Administrative Expenses**

The Group's administrative expenses for the reporting period was decreased to approximately HK\$8.07 million from approximately HK\$16.88 million in the corresponding period in 2013. The decrease was mainly due to the fact that no pre-promotion expenses were incurred in the current period for the property development project as it had already been disposed of by the Group in September 2013. In addition, administrative expenses incurred by other parts of the Group were also decreased when compared with those incurred in 2013 as a result of cost control measures implemented.

## **Finance Costs**

The Group's finance costs for the reporting period was decreased to approximately HK\$5.04 million from approximately HK\$7.44 million in the corresponding period in 2013. The decrease was due to the fact that all outstanding convertible notes were fully converted into ordinary shares of the Company in April 2014 and as such, no finance costs on those convertible notes was incurred thereafter.

## **Profit for the Period and Earnings Per Share**

The Group's profit attributable to owners of the Company for the reporting period was approximately HK\$97.71 million (1.1.2013 to 30.6.2013: approximately HK\$4.55 million). The increase was mainly due to the change in net gain on fair value change of the derivative financial instruments and the gain on fair value change of held-for-trading investments. Basic earnings per share of the Group was HK4.125 cents per share for the six months ended 30 June 2014 (1.1.2013 to 30.6.2013: HK0.239 cent per share).

## **BUSINESS REVIEW**

During the period under review, the businesses and operations of the Group were property business and investment in securities business.

As the investment properties were still under renovation, no revenue was recorded during the reporting period. The Group effectively controlled the administrative expenses as well as managed its financial position. During the reporting period, the Group closely monitored the progress of its investment properties and the market conditions of the property markets in the People's Republic of China (the "PRC").

## **Property business**

The investment properties acquired were still under renovation during the reporting period. As such no revenue was generated but a few administrative expenses were incurred for monitoring the progress of renovation works as well as the property leasing market in Guiyang city, the PRC.

## **Investment in securities business**

No revenue was generated from the operation of investment in securities for the reporting period and its segmental profit of approximately HK\$70.57 million (1.1.2013 to 30.6.2013: loss of approximately HK\$1.23 million) was due to the gain on change in fair value of held-for-trading investments.

## **FUTURE PROSPECTS**

The renovation works of the properties currently held by the Group will soon be completed and we anticipate that the property business will start to make contribution to the Group's revenue in the second half of 2014.

Although the global economy remains uncertain due to various factors such as regional political instability, the occurrence of localized war, natural disaster and earthquake, we are positive and cautiously optimistic for the long term performance of property business including both property investment and property development. Therefore, the Group will keep on looking for attractive investment and acquisition opportunities, including but not limited to property development project so as to enhance the Group's profitability and to maximize our shareholders' value.

Meanwhile, we will also maintain a stringent financial policy and a prudent cash flow management to ensure reasonable liquidity for the Group's operations as well as for its existing and future investment. We believe that, in such a volatile economic environment, these operation strategies will enable the Group to maintain its competitiveness and mitigate risks, thereby ensuring the Group's sustainable growth.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2014, the Group's bank balances and cash was approximately HK\$131.21 million (31 December 2013: approximately HK\$37.02 million), representing an increase of 254.43%. There was no bank and other borrowings as at the end of the reporting period (31 December 2013: Nil).

As at 30 June 2014, the current ratio (current assets/current liabilities) was 115.74 times (31 December 2013: 68.48 times) and the net current assets amounted to approximately HK\$446.56 million (31 December 2013: approximately HK\$280.64 million).

During the reporting period, net cash used in operating activities was approximately HK\$8.31 million and the net cash generated from investing activities was approximately HK\$102.57 million. As a result, the net increase in cash and cash equivalents during the reporting period was approximately HK\$94.26 million.

## **No issuance and redemption of Convertible Notes**

There was no issuance and redemption of convertible notes during the reporting period. All operations of the Group were financed by funds generated internally.

## **CAPITAL STRUCTURE**

During the reporting period, all holders of the outstanding convertible notes in an aggregate principal amount of HK\$120 million exercised their options to convert the convertible notes into ordinary shares of the Company at a conversion price of HK\$0.12 per share. As a result of the conversion of the convertible notes, the number of the Company's issued shares was increased by 1,000,000,000 shares. As at 30 June 2014, the number of the Company's issued shares was 2,906,073,250 shares.

As at 30 June 2014, the Group had no outstanding convertible notes, bank and other borrowings (31 December 2013: approximately HK\$178.97 million), which resulted in zero gearing ratio (31 December 2013: 27.57%) calculated on the basis of total debts and total assets of the Group. As at 30 June 2014, total assets of the Group amounted to approximately HK\$538.84 million (31 December 2013: approximately HK\$470.14 million).

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES**

There has been no significant change in the Group's policy in terms of exchange rate exposure. The Group operates mainly in Hong Kong and the PRC. Most of the transactions are denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB"). The exchange rate of RMB against HK\$ is relatively stable. Hence, the Group neither anticipates any significant exchange risk exposure nor has a foreign currency hedging policy. However, management of the Group will monitor foreign exposure closely and consider the use of hedging instruments when necessary.

## **PLEDGE OF ASSETS**

At the end of the reporting period, no pledge of assets was made by the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of 30 June 2014, the Group had approximately 20 full time management, administrative and operation staff in the PRC and Hong Kong.

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

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining a high standard of corporate governance in the best interests of the shareholders of the Company (“Shareholders”). The corporate governance principles adopted by the Company emphasize on a highly efficient Board, sound internal controls and the transparency and accountability to all Shareholders.

Throughout the period from 1 January 2014 to 30 June 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), except for the following deviations:

- (a) Under code provision A.2.1, the roles of the chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ip Cheng Kuong currently is the chairman of the Company and is responsible for leading the Board in the overall strategic development of the Group. During the period under review, no officer was appointed as the chief executive officer of the Group. In this respect, an Investment and Management Committee (“IMC”) was established on 15 August 2013 to manage the operations and investment activities of the Group. The IMC will continually assume functions of the chief executive officer before any individual is appointed as such.

The Board considers the above arrangement to be appropriate for the Company as it can preserve the consistent leadership culture of the Company and allow efficient discharge of the functions of the chief executive officer. The Board believes that a balance of power and authority is adequately ensured by the Board which comprises experienced and high calibre individuals, including four independent non-executive directors (the “INEDs”).

- (b) Under code provision E.1.2, the chairman of the Board should attend annual general meeting. Mr. Ip Cheng Kuong, the chairman of the Board was not able to attend the annual general meeting of the Company held on 28 May 2014 (“AGM”) due to other engagement. Mr. Yeung Kwok Yu, who took the chair of AGM, together with other members of the Board who attended the AGM, were of sufficient calibre for answering questions at the AGM.

The Board will continue to review and improve the corporate governance practices and standards of the Company to ensure that the Group’s business and decision making processes are regulated in a proper and prudent manner.

### **Model Code for Securities Transactions by Directors**

During the reporting period, the Company has adopted a code of conduct regarding securities transactions by directors of the Company on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”). Having made specific enquiries to all directors of the Company, all of them have complied with the required standards of dealings as set out in the Model Code and the Company’s own code of conduct during the reporting period.

### **Audit Committee**

The audit committee of the Company (the “Audit Committee”) comprises three INEDs, namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan. Ms. Ma Yin Fan is the chairlady of the Audit Committee.

The terms of reference of the Audit Committee comply with the code provisions of the CG Code. The Audit Committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

During the reporting period, the Audit Committee has reviewed with management of the Company on internal controls and financial reporting matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2014.

### **Remuneration Committee**

The remuneration committee of the Company (the "Remuneration Committee") comprises three INEDs, namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan. Ms. Ma Yin Fan was appointed as the chairlady of the Remuneration Committee.

The terms of reference of the Remuneration Committee comply with the code provisions of the CG Code. The Remuneration Committee is principally responsible for offering advice to the Board on the matters pertaining to the remuneration policy and remuneration structure of the directors and senior management of the Company.

### **Nomination Committee**

The nomination committee of the Company (the "Nomination Committee") comprises one executive director of the Company and two INEDs, namely Mr. Yeung Kwok Yu, Mr. Leung Hoi Ying and Mr. Yu Pan. Mr. Leung Hoi Ying is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee comply with the code provisions of the CG Code. The Nomination Committee is principally responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of the INEDs, and making recommendations to the Board on the appointment and reappointment of directors and succession planning for directors.

### **Investment and Management Committee**

The IMC of the Company comprises two executive directors, namely Mr. Yeung Kwok Yu and Mr. Kwan Kam Hung, Jimmy. Mr. Yeung Kwok Yu is the chairman of the IMC.

It is primarily responsible for (i) acting as a delegate for the Board generally; (ii) making decisions and resolutions, and to exercise all powers of the Board on all matters of the Group in relation to its daily operation and investment activities; and (iii) making recommendations to the Board concerning matters of corporate significance not otherwise dealt with by any other committees of the Board.

## **REVIEW OF ACCOUNTS**

The Audit Committee has reviewed with management and the external auditor the accounting principles and practices adopted by the Group and discussed internal controls, and financial reporting matters including the review of the unaudited interim financial statements for the period under review. The external auditor has reviewed the interim financial information for the six months ended 30 June 2014 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any listed securities of the Company.

## **PUBLICATION OF UNAUDITED INTERIM RESULTS**

This announcement will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.cnepgl.com](http://www.cnepgl.com). The interim report will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board  
**China New Energy Power Group Limited**  
**Kwan Kam Hung, Jimmy**  
*Executive Director*

Hong Kong, 26 August 2014

*As at the date of this announcement, the Board comprises six executive directors, namely Mr. Ip Cheng Kuong, Mr. Yeung Kwok Yu, Mr. Chiu Kong, Mr. Kwan Kam Hung, Jimmy, Mr. Chen Guang Lin and Mr. Wu Zhuo Tong; and four independent non-executive directors, namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying, Mr. Yu Pan and Mr. Lee Ming Tung.*