中国新能源动力

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 REPORT 2013

CONTENTS

PAGE(S)

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Ip Cheng Kuong *(Chairman)*
Ms. Catherine Chen *(Managing Director)*
(resigned with effect from 1 August 2013)
Mr. Chiu Kong
Mr. Yeung Kwok Yu
Mr. Kwan Kam Hung, Jimmy
Mr. Wah Wang Kei, Jackie
Mr. Chen Guang Lin

Non-executive Director
Mr. Wu Zhuo Tong

Independent Non-executive Directors
Ms. Ma Yin Fan
Mr. Leung Hoi Ying
Mr. Yu Pan
Mr. Lee Ming Tung

BOARD COMMITTEES

Audit Committee
Ms. Ma Yin Fan *(Chairlady)*
Mr. Leung Hoi Ying
Mr. Yu Pan

Remuneration Committee
Ms. Ma Yin Fan *(Chairlady)*
Mr. Leung Hoi Ying
Mr. Yu Pan

Nomination Committee
Mr. Leung Hoi Ying *(Chairman)*
Mr. Yu Pan
Mr. Yeung Kwok Yu

Investment and Management Committee
Mr. Yeung Kwok Yu *(Chairman)*
Mr. Kwan Kam Hung, Jimmy

COMPANY SECRETARY

Mr. Tang Kam Shing, Roland

LEGAL ADVISER

Messrs. Tung & Co.

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2807, 28th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1041

WEBSITE

www.cnepgl.com

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 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover		**–**	–
Other income	7	**390**	610
Other gains and losses	8	**25,965**	102,757
Administrative expenses		**(16,877)**	(16,527)
Finance costs		**(7,442)**	(13,547)
Profit for the period	9	**2,036**	73,293
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**4,140**	(868)
Total comprehensive income for the period		**6,176**	72,425
Profit (loss) for the period attributable to:			
Owners of the Company		**4,554**	74,499
Non-controlling interests		**(2,518)**	(1,206)
		2,036	73,293

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**7,152**	73,824
Non-controlling interests		**(976)**	(1,399)
		6,176	72,425
			(Restated)
Earnings (loss) per share	10		
– basic		**HK0.239 cent**	HK4.908 cents
– diluted		**HK(0.167) cent**	HK(0.144) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30.6.2013** ***HK$'000*** **(Unaudited)**	31.12.2012 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	12	**146**	3,317
Prepaid lease payments		**–**	5,113
		146	8,430
Current assets			
Properties under development		**–**	610,669
Other receivables	13	**9,185**	14,010
Deposits and prepayments		**827**	6,789
Held-for-trading investments	14	**25,321**	25,185
Bank balances and cash		**31,290**	33,265
		66,623	689,918
Assets classified as held for sale		**656,683**	–
		723,306	689,918
Current liabilities			
Other payables	15	**4,289**	42,836
Amounts due to non-controlling shareholders of subsidiaries		**–**	26,156
Other borrowings – amount due within one year	16	**–**	17,191
		4,289	86,183
Liabilities associated with assets classified as held for sale		**110,235**	–
		114,524	86,183
Net current assets		**608,782**	603,735
Total assets less current liabilities		**608,928**	612,165
Non-current liability			
Convertible notes	17	**125,281**	134,694
		483,647	477,471
Capital and reserves			
Share capital	18	**14,895**	14,895
Reserves		**247,434**	243,975
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale		**3,693**	–
Equity attributable to owners of the Company		**266,022**	258,870
Non-controlling interests		**217,625**	218,601
		483,647	477,471

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company									
	Share capital	Share premium	Capital reserve	General reserve	Exchange translation reserve	Capital redemption reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013 (audited)	**14,895**	**–**	**4,289**	**225**	**1,750**	**34**	**237,677**	**258,870**	**218,601**	**477,471**
Exchange difference arising on translation of functional currency to presentation currency	**–**	**–**	**–**	**–**	**2,598**	**–**	**–**	**2,598**	**1,542**	**4,140**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**4,554**	**4,554**	**(2,518)**	**2,036**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**2,598**	**–**	**4,554**	**7,152**	**(976)**	**6,176**
Reclassification of exchange differences upon disposal of subsidiaries (note 6(a))	**–**	**–**	**–**	**–**	**(880)**	**–**	**880**	**–**	**–**	**–**
At 30 June 2013 (unaudited)	**14,895**	**–**	**4,289**	**225**	**3,468**	**34**	**243,111**	**266,022**	**217,625**	**483,647**
At 1 January 2012 (audited)	35,465	–	4,289	225	2,111	34	(250,808)	(208,684)	215,353	6,669
Exchange difference arising on translation of functional currency to presentation currency	–	–	–	–	(675)	–	–	(675)	(193)	(868)
Profit (loss) for the period	–	–	–	–	–	–	74,499	74,499	(1,206)	73,293
Total comprehensive income (expense) for the period	–	–	–	–	(675)	–	74,499	73,824	(1,399)	72,425
Capital injection from a non-controlling shareholder	–	–	–	–	–	–	–	–	6,911	6,911
Issue of shares upon conversion of convertible notes	23,758	411,498	–	–	–	–	–	435,256	–	435,256
Elimination on disposal of subsidiaries (note 6)	–	–	–	–	–	–	–	–	761	761
At 30 June 2012 (unaudited)	59,223	411,498	4,289	225	1,436	34	(176,309)	300,396	221,626	522,022

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Note	Six months ended 30 June **2013** ***HK$'000*** **(Unaudited)**	 2012 *HK$'000* (Unaudited)
Net cash used in operating activities		**(22,201)**	(38,051)
Investing activities			
Interest received		**390**	561
Disposal of subsidiaries	6	**6,569**	–
Deferred consideration from disposal of food processing and distribution operation		**4,406**	9,724
Purchases of property, plant and equipment		**(83)**	(190)
Net cash from investing activities		**11,282**	10,095
Financing activities			
Capital contribution from a non-controlling shareholder		**–**	6,911
Repayment of other borrowings		**(17,191)**	(1,523)
Repayment of obligation under a finance lease		**–**	(38)
Interest paid		**–**	(276)
Advances from non-controlling shareholders of subsidiaries		**30,949**	–
Net cash from financing activities		**13,758**	5,074
Net increase (decrease) in cash and cash equivalents		**2,839**	(22,882)
Cash and cash equivalents at 1 January		**33,265**	30,226
Effect of changes in foreign exchange rates		**7,039**	(490)
Cash and cash equivalents at 30 June, represented by bank balances and cash, including those classified as held for sale		**43,143**	6,854

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 22.

The application of the other new and revised 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:

– Investments in securities – trading of securities

– Property – property development of properties held for sale and property investment

In the current interim period, the CODM has redefined the property business segment to include property investment as one of its principal business activity and renamed this segment as "Property" from "Property development". As discussed in notes 6(b), during the current interim period, the Group has entered into an agreement to dispose of its property development project in the PRC and an agreement to acquire a property that expected to be held by the Group as an investment property for rental purpose. The Group will continue to engage in the property business and operation in the People's Republic of China, hence, in the opinion of the directors, the disposal of the property development project does not constitute a discontinued operation.

3. SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2013

	Investment in securities *HK$'000*	**Property** *HK$'000*	**Total** *HK$'000*
TURNOVER			
External sales	**–**	**–**	**–**
SEGMENT RESULT	**(1,225)**	**(6,295)**	**(7,520)**
Unallocated corporate income			**317**
Unallocated corporate expenses			**(10,506)**
Other gains and losses			**27,187**
Finance costs			**(7,442)**
Profit for the period			**2,036**

Six months ended 30 June 2012

	Investment in securities *HK$'000*	Property *HK$'000*	Total *HK$'000*
TURNOVER			
External sales	–	–	–
SEGMENT RESULT	(12,343)	(3,016)	(15,359)
Unallocated corporate income			563
Unallocated corporate expenses			(13,433)
Other gains and losses			115,069
Finance costs			(13,547)
Profit for the period			73,293

Segment result represents loss or profit from each segment without allocation of interest income, central administrative costs, directors' emoluments, finance costs and other gains and losses excluding loss from held-for-trading investments, which is included in the investment in securities segment result. 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 PRC Enterprise Income Tax has been made as those subsidiaries established in the PRC have no assessable profits for both periods presented.

6. DISPOSAL OF SUBSIDIARIES/DISPOSAL GROUP HELD FOR SALE

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

On 26 March 2013, Fair Power Capital Limited, a wholly-owned subsidiary of the Company which has been inactive, 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 disposal was approved by the board of directors of the Company and completed on the same date.

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

	1.1.2013 to 26.3.2013 *HK$'000*
Gain on disposal of subsidiaries	**4,874**

6. DISPOSAL OF SUBSIDIARIES/DISPOSAL GROUP HELD FOR SALE (Continued)

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

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

	HK$'000
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)**
Net liabilities disposed of	**(4,579)**

	HK$'000
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)**
Gain on disposal	**4,874**
Net cash inflow arising on disposal:	
Cash consideration received	**6,630**
Less: Cash and cash equivalent disposed of	**(61)**
	6,569

During the period from 1 January 2013 to 26 March 2013, the Max Plan Group had no contribution to the Group's cash flows.

6. DISPOSAL OF SUBSIDIARIES/DISPOSAL GROUP HELD FOR SALE (Continued)

(b) 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 its wholly owned subsidiary Allywing Investments Limited ("Allywing") and its subsidiary (collectively referred as the "Allywing Group") and the assignment of shareholder's loan (amounted to HK$71,387,000 as at 30 June 2013) in Allywing owing to Good Base at an aggregated cash consideration of RMB320,000,000 (equivalent to approximately HK$400,000,000). Xi'an Yuansheng Enterprises Limited 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 expected to complete before the end of September 2013. The assets and liabilities attributable to the Allywing Group have been classified as disposal group held for sale and are presented separately in the condensed consolidated statement of financial position at 30 June 2013. The property development project is included in the Group's property business activity for segment reporting purposes. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the Allywing Group as at 30 June 2013 are as follows:

	HK$'000
Property, plant and equipment	1,085
Property under development	641,334
Other receivables	1,139
Deposits and prepayments	1,272
Bank balances and cash	11,853
Total assets classified as held for sale	656,683
Other payables	53,281
Amount due to a non-controlling shareholder of a subsidiary	56,954
Total liabilities classified held for sale	110,235

An amount of HK$3,693,000 relating to the disposal group classified as held for sale has been recognised in other comprehensive income and accumulated in equity.

6. DISPOSAL OF SUBSIDIARIES/DISPOSAL GROUP HELD FOR SALE (Continued)

(c) Disposal of TGT Holdings Corporation ("TGT") and other subsidiaries

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

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

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

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

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

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

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

7. OTHER INCOME

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Interest income	**390**	561
Others	**–**	49
	390	610

8. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Change in fair value of held-for-trading investments	**(1,222)**	(12,312)
Gain on disposal of subsidiaries (Note 6)	**4,874**	24,215
Net gain on fair value change of derivative financial instruments	**16,855**	90,854
Write-back of other payables (Note)	**5,458**	–
	25,965	102,757

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 current interim period.

9. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Release of prepaid lease payments	**–**	49
Depreciation of property, plant and equipment	**555**	528
Interest expense on convertible notes	**7,442**	13,271

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	
	2013	2012
	HK$'000	*HK$'000*
Earnings (loss):		
Earnings for the purpose of basic earnings per share	**4,554**	74,499
Effect of dilutive potential ordinary shares:		
– Interest on convertible notes	**7,442**	13,271
– Net gain on derivative financial instruments	**(16,855)**	(90,854)
Loss for the purpose of diluted loss per share	**(4,859)**	(3,084)

	Six months ended 30 June	
	2013	2012
		(restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,906,073,250**	1,517,302,758
Effect of dilutive potential ordinary shares in respect of convertible notes	**1,000,000,000**	615,906,594
Weighted average number of ordinary shares for the purpose of diluted loss per share	**2,906,073,250**	2,133,209,352

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share for the period ended 30 June 2013 have been retrospectively adjusted for the effect of share consolidation completed on 12 October 2012 (note 18).

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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group spent approximately HK$83,000 (six months ended 30 June 2012: HK$190,000) on acquisitions of property, plant and equipment.

13. OTHER RECEIVABLES

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

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Other receivables	237	656
Consideration receivable for disposal of food processing and distribution operation in prior year	8,948	13,354
	9,185	14,010

14. HELD-FOR-TRADING INVESTMENTS

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Held-for-trading investments include:		
Equity securities listed in Hong Kong	25,321	25,185

The fair value of the financial assets at FVTPL is determined based on the quoted market prices.

15. OTHER PAYABLES

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

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Amount due to former director of a subsidiary	–	5,512
Accrued expenses	2,718	2,341
Accrued costs for construction work	–	25,121
Other payables	1,571	9,862
	4,289	42,836

16. OTHER BORROWINGS

At 31 December 2012, the amount represented a loan of amount RMB14,000,000 (equivalent to approximately HK$17,191,000) from Xi'an Xingchuang Estate Limited (西安星創置業有限公司) ("Xi'an Xingchuang") and its shareholder, being independent third parties not connected to the Group. The amount was unsecured, interest-free and repayable on demand. During the current interim period, Xi'an Xingchuang has acquired 40% equity interest from the non-controlling shareholder of Xi'an Yuansheng Enterprises Limited, a non-wholly owned subsidiary of the Company and the amount was fully repaid by the Group to Xi'an Xingchuang.

17. CONVERTIBLE NOTES

(i) Fulbond Convertible Note

On 6 August 2009, the Company entered into a placing agreement (the "Fulbond CN Placing Agreement") with a placing agent whereby the Company agreed, subject to conditions (including the Stock Exchange's and shareholders' approval) issue zero coupon convertible notes in a maximum aggregate principal amount of HK$800,000,000 (the "Fulbond Convertible Notes") which can be converted into ordinary shares of the Company at a conversion price of HK$0.01 per share. 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$450,000,000) and the Second Tranche Fulbond Convertible Notes (up to the aggregate principal amount of HK$350,000,000) fall under the placing and are subject to the same terms and conditions under the Fulbond CN Placing Agreement.

The Fulbond Convertible Notes are denominated in Hong Kong dollars with a conversion period of 36 months from the first issue date and can be converted into ordinary shares of the Company at HK$0.01 per share, and may be adjusted upon occurrence of adjustment events, which include consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie, rights issues or grant of options or warrants to subscribe for new shares at a price which is less than 60% of the market price, issue for cash of securities which are convertible into or exchangeable for or carry rights of subscription for new shares or modification of rights of conversion or exchange or subscription attached to such securities such that the total effective consideration per share initially receivable for such securities is less than 80% of the market price, issue shares for cash at a price per share which is less than 80% of the market price, issue shares for the acquisition of assets at a total effective consideration per share which is less than 80% of the market price, and will in any event not be adjusted below the par value of the share.

The Fulbond Convertible Notes contain three components, the liability component, conversion option and issuer's early redemption option. The conversion option gives the holder's right at any time to convert the Fulbond Convertible Notes into ordinary shares of the Company. However since the conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, the conversion option is accounted for as a derivative liability. The early redemption option gives the issuer the right to redeem the note at par at any time before maturity. Both conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised in profit or loss.

The fair value of the liability component upon the issuance of the note was calculated at the present value of the principal amount. The Fulbond Convertible Notes can only be redeemed at par at the discretion of the issuer in whole or in part anytime before the maturity date. All tranches of the Fulbond Convertible Notes matured on 28 December 2012 at aggregate principal amount of HK$800,000,000.

17. CONVERTIBLE NOTES (Continued)

(i) *Fulbond Convertible Note (Continued)*

On 21 June 2011, the Company obtained approval from its shareholders to the proposed reorganisation of the share capital of the Company (the "Capital Re-organisation"), which involves share consolidation every 10 existing shares of par value US$0.001 (equivalent to HK$0.01) into one consolidated share of par value US$0.01 (equivalent to HK$0.10) and capital reduction of the par value of each issued consolidated share from US$0.01 (equivalent to HK$0.10) to US$0.001 (equivalent to HK$0.01) by cancellation of US$0.009 (equivalent to HK$0.09) of the paid up capital of each issued consolidated share. The original conversion price was adjusted from HK$0.01 per share to HK$0.10 per share as a result of Capital Re-organisation.

First Tranche Fulbond Convertible Notes

On 29 December 2009, the Company partially issued the First Tranche Fulbond Convertible Notes with the principal amount of HK$200,000,000 (the "1st HK$200M Fulbond CN") to an independent third party. The effective interest rate of the liability component and discount rate used is 15.24% which represents the cost of debt applicable to the Company at the issue date.

On 14 January 2010, the Company issued the remaining portion of the First Tranche Fulbond Convertible Notes with principal amount of HK$250,000,000 (the "2nd HK$250M Fulbond CN") to an independent third party. The effective interest rate of the liability component and discount rate used is 12.66% which represents the cost of debt applicable to the Company at the issue date.

On 12 January 2010 and 11 August 2010, certain holders of the 1st HK$200M Fulbond CN, gave notice to the Company to convert the 1st HK$200M Fulbond CN in aggregate principal amount of HK$140,000,000 to ordinary shares of the Company.

On 5 May 2010, 18 May 2010 and 11 August 2010, certain holders of the 2nd HK$250M Fulbond CN gave notice to the Company to convert the 2nd HK$250M Fulbond CN in aggregate principal amount of HK$130,000,000 to ordinary shares of the Company.

On 2 April 2012, holders of the First Tranche Convertible Notes, have given notice to the Company to convert remaining portion of 1st HK$200M Fulbond CN and 2nd HK$250M Fulbond CN in aggregate principal amount of HK$60,000,000 and HK$120,000,000 to ordinary shares of the Company respectively. The carrying value of the liability component and fair value of the embedded conversion option and early redemption option of 1st HK$200M Fulbond CN and 2nd HK$250M Fulbond CN at the date of conversion were approximately HK$88,482,000 and HK$169,432,000 respectively, and gain on fair value changes of HK$6,804,000 and HK$13,608,000 were recognised in profit or loss respectively during the six months ended 30 June 2012.

17. CONVERTIBLE NOTES (Continued)

(i) *Fulbond Convertible Note (Continued)*

First Tranche Fulbond Convertible Notes (Continued)

The fair values of the embedded conversion option and the issuer's early redemption option were determined using binomial option pricing model, the valuation was performed by independent valuer, Asset Appraisal Limited, and the inputs into the model at each respective date were as follows:

	(Date of conversion) 2.4.2012	31.12.2011
Conversion price	HK$0.10	HK$0.10
Share price	HK$0.142	HK$0.143
Expected volatility	53.36%	50.27%
Remaining life	0.74 year	0.99 year
Risk-free rate	0.130%	0.250%

Second Tranche Fulbond Convertible Notes

On 10 August 2010, the Company issued the first portion of the Second Tranche Fulbond Convertible Notes with principal amount of HK$250,000,000 (the "3rd HK$250M Fulbond CN") to an independent third party. The effective interest rate of the liability component and the discount rate used is 10.61% which represents the cost of debt applicable to the Company at the issue date.

On 11 August 2010, certain holders of the 3rd HK$250M Fulbond CN, have given notice to the Company to convert certain the 3rd HK$250M Fulbond CN in aggregate principal amount of HK$34,000,000 to ordinary shares of the Company.

On 2 April 2012, certain holders of the 3rd HK$250M Fulbond CN have given notice to the Company to convert certain of the 3rd HK$250M Fulbond CN in aggregate principal amount of HK$126,000,000 to ordinary shares of the Company. The carrying value of the liability component and fair value of the embedded conversion option and early redemption option at the date of conversion is approximately HK$177,342,000, and gain on fair value changes of HK$14,288,000 was recognised in profit or loss during the six months ended 30 June 2012.

On 5 December 2012, the Company exercise its call option to early redeem the remaining portion of the 3rd HK$250M Fulbond CN in aggregate principal amount of HK$90,000,000. During the period up to the date of redemption, a fair value gain on embedded conversion option and early redemption option of HK$56,468,000 was recognised in profit and loss. The carrying value of the liability component and fair value of the conversion option derivative and early redemption option of the remaining portion of the 3rd HK$250M Fulbond CN in aggregate at the date of redemption is approximately HK$86,838,000, giving rise to a loss on early redemption of HK$3,162,000 recognised in profit or loss during the year ended 31 December 2012.

17. CONVERTIBLE NOTES (Continued)

(i) Fulbond Convertible Note (Continued)

Second Tranche Fulbond Convertible Notes (Continued)

The remaining unissued tranche of Fulbond Convertible Notes of HK$100,000,000 expired in October 2010.

The fair values of the embedded conversion option and the issuer's early redemption option were determined using binomial option pricing model, respectively, the valuation was performed by independent valuer, Assets Appraisal Limited and the inputs into the model at each respective date were as follows:

	(Date of redemption) 5.12.2012	(Date of conversion) 2.4.2012	31.12.2011
Conversion price	HK$0.100	HK$0.100	HK$0.100
Share price	HK$0.124	HK$0.142	HK$0.143
Expected volatility	29.54%	53.36%	50.27%
Remaining life	–	0.74 year	0.99 year
Risk-free rate	0.047%	0.130%	0.250%

(ii) 2012 CN Convertible Note

On 16 August 2012, the Company entered into a placing agreement (as supplement and amended by a side letter dated 27 August 2012) (the "2012 CN Placing Agreement") with a placing agent whereby the Company agreed, subject to conditions (including the Stock Exchange's and shareholders' approval) issue zero coupon convertible notes in a maximum aggregate principal amount of HK$120,000,000 (the "2012 CN Convertible Notes"). The placing can be completed by a maximum of four tranches provided that the aggregate principal amount of the 2012 CN Convertible Notes to be issued by the Company for each partial completion shall not be less than HK$30,000,000. The tranches fall under placing are subject to the same terms and conditions under the CN Placing Agreement.

The 2012 CN Convertible Notes are denominated in Hong Kong dollars with a conversion period of 36 months from the first issue date and can be converted into ordinary shares of the Company at HK$0.12 per ordinary share, and may be adjusted upon occurrence of adjustment events, which include consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions, issue for cash of securities which are convertible into or exchangeable for or carry rights of subscription for new shares or modification of rights of conversion or exchange or subscription attached to such securities that the total effective consideration per share which is less than 80% of the market price, issues shares for cash at a price per share which is less than 80% of the market price, issues shares for the acquisition of assets at a total effective consideration per share which is less than 80% of the market price, and will in any event not be adjusted below the par value of the share.

17. CONVERTIBLE NOTES (Continued)

(ii) 2012 CN Convertible Note (Continued)

The 2012 CN Convertible Notes contain three components, the liability component, conversion option and issuer's early redemption option. The conversion option gives the holder's right at any time to convert the 2012 CN Convertible Notes into ordinary shares of the Company. However since the conversion option of the 2012 CN Convertible Notes are denominated in HK$ and the functional currency of the Company is RMB, the conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, the conversion option is accounted for as a derivative liability. The early redemption option gives the issuer the right to redeem the note at par at any time before maturity. Both conversion option derivative and early redemption option are measured at fair value with changes in fair value recognised profit and loss.

The fair value of the liability component upon the issuance of the note was calculated at the present value of the principal amount. The 2012 CN Convertible Notes can only be redeemed at par at the discretion of the issuer in whole or in part anytime before the maturity date. All tranches of the 2012 CN Convertible Notes will mature on 28 November 2015.

The 2012 CN Convertible Notes with principal amount of HK$120,000,000 was issued on 29 November 2012. The aggregate fair value of the 2012 CN Convertible Notes at 29 November 2012 is approximately HK$127,871,000, representing a loss in fair value on initial recognition of HK$7,871,000 recognised in the profit and loss. The effective interest rate of 23.52% was used to determine the fair value changes of the liability component on initial recognition.

The aggregate principal amount under the 2012 CN Convertible Notes outstanding at 30 June 2013 and 31 December 2012 amount to HK$120,000,000 and the carrying amount of the liability components and the fair values of the embedded conversion option and early redemption option in aggregate approximately HK$68,644,000 (31 December 2012: HK$61,202,000) and HK$56,637,000 (31 December 2012: HK$73,492,000), respectively. During six months ended 30 June 2013, an aggregate fair value gain on embedded conversion option and early redemption option of HK$16,855,000 in respect of the outstanding 2012 CN Convertible Notes was recognised in the profit and loss.

The fair values of the embedded conversion option and the issuer's early redemption option were determined using binomial option pricing model, the valuation was performed by independent valuer, Asset Appraisal Limited, and the inputs into the model at each respective date were as follow:

	30.6.2013	31.12.2012	29.11.2012
Conversion price	**HK$0.120**	HK$0.120	HK$0.120
Share price	**HK$0.126**	HK$0.134	HK$0.132
Expected volatility	**47.92%**	48.91%	49.38%
Remaining life	**2.42 years**	2.92 years	3 years
Risk-free rate	**0.421%**	0.120%	0.164%

17. CONVERTIBLE NOTES (Continued)

The movements of the components of First and Second Tranche Fulbond Convertible Notes during the period are set out below:

	Principal amount *HK$'000*	Liability component *HK$'000*	Embedded derivatives *HK$'000*	Total *HK$'000*
At 1 January 2011	396,000	307,603	484,425	792,028
Change in fair value	–	–	(235,964)	(235,964)
Interest charged	–	39,733	–	39,733
At 31 December 2011	396,000	347,336	248,461	595,797
Change in fair value	–	–	(91,168)	(91,168)
Interest charged	–	17,465	–	17,465
Converted during the year	(306,000)	(277,963)	(157,293)	(435,256)
Redeemed during the year	(90,000)	(86,838)	–	(86,838)
At 31 December 2012	–	–	–	–

The movements of the components of 2012 CN Convertible Notes during the period are set out below:

	Principal amount *HK$'000*	**Liability component** *HK$'000*	**Embedded derivatives** *HK$'000*	**Total** *HK$'000*
At 1 January 2011	–	–	–	–
Issued during the year	120,000	59,973	67,898	127,871
Change in fair value	–	–	5,594	5,594
Interest charged	–	1,229	–	1,229
At 31 December 2012	120,000	61,202	73,492	134,694
Change in fair value	–	–	(16,855)	(16,855)
Interest charged	–	7,442	–	7,442
At 30 June 2013	**120,000**	**68,644**	**56,637**	**125,281**

Analysed for reporting purpose as:

	30.06.2013 ***HK$'000***	31.12.2012 *HK$'000*
Non-current liabilities	**125,281**	134,694

18. SHARE CAPITAL

	Number of shares	Amount US$'000	As presented HK$'000
Ordinary shares of US$0.001 each			
Authorised:			
At 1 January 2012, 31 December 2012 and 30 June 2013	100,000,000,000	100,000	775,000
Issued and fully paid:			
At 1 January 2012	4,564,293,000	4,564	35,465
Issue of shares upon conversion of convertible notes	3,060,000,000	3,060	23,758
At 30 June 2012	7,624,293,000	7,624	59,223
Adjustment on Capital Re-organisation (note)	(5,718,219,750)	(5,718)	(44,328)
At 31 December 2012 and 30 June 2013	1,906,073,250	1,906	14,895

Note: Pursuant to special resolution passed by the shareholders in the special general meeting on 11 October 2012, the Company approved the following capital re-organisation: (i) Consolidation of every 4 existing shares of US$0.001 each in the issued share capital of the Company into one consolidated share of par value US$0.004 ("Share Consolidation"); (ii) Upon the Share Consolidation becoming effective, the par value of each issued consolidated share is reduced from US$0.004 to US$0.001 by cancellation of US$0.003 of the paid-up capital of each issued consolidated share ("Capital Reduction"); and (iii) Upon Share Consolidation and the Capital Reduction becoming effective, the entire amount of the share premium account is cancelled. The capital re-organisation was in effect from 12 October 2012.

19. LEASING ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had outstanding commitment for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	30.6.2013 ***HK$'000***	31.12.2012 *HK$'000*
Within one year	**1,560**	1,102
In the second to fifth year inclusive	**1,658**	–
	3,218	1,102

20. RELATED PARTY TRANSACTIONS

The key management personnel are the directors of the Company. The short-term remuneration and contributions to retirement benefits of directors for the six months ended 30 June 2013 was approximately HK$2,837,000 (six months ended 30 June 2012: HK$5,077,000) and HK$44,000 (six months ended 30 June 2012: HK$52,000) respectively.

21. CAPITAL COMMITMENTS

As at 30 June 2013, the Group was committed to an expenditure on properties under development of HK$293,759,000 (31 December 2012: HK$289,212,000).

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and inputs used), as well as the level of fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Fair value as at		Fair value Hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30.6.2013	31.12.2012				
	HK$'000	HK$'000				
Financial asset at FVTPL:						
1) Listed equity securities	**25,321**	25,185	Level 1	Quoted bid prices in an active market	N/A	N/A
Financial liability at FVTPL:						
2) Derivative components of convertible notes	**56,637**	73,492	Level 3	The Binomial Option Pricing Model The key inputs are: Stock price, exercise price, expected volatility, contractual term and risk free rate.	1) Volatility, determined by reference to the compounded rates of return on the weekly average adjusted share price of the comparable companies (note)	The higher the volatility, the higher the fair value.

Note: If the input of volatility to the valuation model of the derivative components of the convertible notes had been 5% higher/lower while all the other variables were held constant, the loss for the year would increase/decrease by HK$6,300,000.

There were no transfer between level 1 and level 2 in the current and prior periods.

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values:

	30 June 2013	
	Carrying amount	**Fair value**
	HK$'000	***HK$'000***
Financial liability		
Liability component of convertible notes	**68,644**	**69,365**

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Embedded derivative of convertible notes *HK$'000*
At 1 January 2013	**73,492**
Total gains in profit or loss	**(16,855)**
At 30 June 2013	**56,637**

Fair value gains or losses on derivative financial instruments are included in 'other gain and losses' in the condensed consolidated statement of profit or loss and other comprehensive income.

Fair value measurements and valuation processes

The Company has a designated team to determine the appropriate valuation techniques and inputs for Level 3 fair value measurements.

In estimating the fair value of the derivative component of convertible notes, the Group uses market-observable data to the extent it is available. The Group engaged a valuer to perform the valuation at the end of each reporting period. The designated team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Where there is a material change in the fair value of the assets, the cause of the fluctuations will be reported to the management of the Group.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

23. EVENT AFTER THE REPORTING PERIOD

As detailed in note 6(b), on 9 May 2013, Good Base entered into a conditional sales and purchase agreement with Billion Sino, to dispose of its entire interest in Allywing and assignment of the shareholder's loan owing by Allywing to Good Base outstanding at the completion date of the disposal at an aggregate cash consideration of RMB320,000,000 (equivalent to approximately HK$400,000,000) (the "Allywing Disposal").

On 9 May 2013, Prance Fortune Investments Limited ("Prance Fortune"), a wholly owned subsidiary of the Company, entered into a conditional agreement with Win Harbour Investments Limited ("Win Harbour"), an independent third party to the Group (the "Acquisition Agreement"), pursuant to which, Prance Fortune has conditionally agreed to purchase or procure to purchase the entire equity interest in 貴陽鼎天投資諮詢有限公司 (Guiyang Ding Tian Investment Consultancy Limited) (the "Guiyang Ding Tian") at the aggregate of (i) the consideration of RMB1,000,000 (equivalent to approximately HK$1,250,000) for the entire equity interest in Guiyang Ding Tian under the Acquisition Agreement and (ii) the consideration of RMB68,000,000 (equivalent to approximately HK$85,000,000) to be paid under the Pre-sale Agreement (as more fully explained below) (the "Acquisition").

On 1 April 2013, Guiyang Ding Tian and 貴陽中渝置地房地產開發有限公司 (Guiyang Zhong Yu Real Estate Development Company Limited) ("GY Zhong Yu"), a company incorporated in the PRC, which is principally involved in properties investment and management, and indirectly wholly owned by Win Harbour, which is principally engaged in investment holding entered into a pre-sales agreement (the "Pre-sale Agreement"), for the purchase of the whole commercial building A27 of 中渝 • 第一城 (First City, Guiyang) Plot A (the "Property") being constructed and developed on a piece of land located in Guanshanhu District, Guiyang City, Guizhou Province (the "Guiyang Project") by Guiyang Ding Tian for a consideration of RMB68,000,000 (equivalent to approximately HK$85,000,000). Guiyang Ding Tian shall pay or procure to pay such amount to GY Zhong Yu or to the order of GY Zhong Yu before 31 December 2013.

Further details of the proposed Allywing Disposal and Acquisition can be referred to the circular issued by the Company dated 27 June 2013. Subsequent to the end of the reporting period, the Allywing Disposal and the Acquisition was approved by the shareholders of the Company at the Special General Meeting on 17 July 2013. The Allywing Disposal and the Acquisition shall be completed upon satisfaction of certain precedent conditions as set out in the respective disposal and acquisition agreements and expect to be completed before the end of September 2013.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
CHINA NEW ENERGY POWER GROUP LIMITED
中國新能源動力集團有限公司

INTRODUCTION

We have reviewed the condensed consolidated financial statements of **China New Energy Power Group Limited** (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 3 to 28, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Revenue

In the first half of year 2013, the Group did not record any revenue (1.1.2012 to 30.6.2012: Nil) as the property development project of the Group is still in a construction stage. As such, no cost of sales and gross profit or gross loss was recorded for the reporting period (1.1.2012 to 30.6.2012: Nil).

Segmental Results

Property development business

There was no revenue generated from the operation of property development for the reporting period (1.1.2012 to 30.6.2012: Nil) and its segmental result suffered a loss of approximately HK$6.30 million (1.1.2012 to 30.6.2012: loss of approximately HK$3.02 million).

Investment in securities business

There was no revenue generated from the operation of investment in securities for the reporting period (1.1.2012 to 30.6.2012: Nil) and its segmental loss was approximately HK$1.23 million (1.1.2012 to 30.6.2012: loss of approximately HK$12.34 million).

Cost of Sales

As there was no revenue recorded in the period under review, no cost of sales was therefore recorded (1.1.2012 to 30.6.2012: Nil).

Gross Profit or Gross Loss

As the property development project is still in a construction stage, neither gross profit nor gross loss arose in the reporting period (1.1.2012 to 30.6.2012: Nil).

Other Income

The Group's other income for the reporting period decreased to approximately HK$0.39 million from approximately HK$0.61 million for the corresponding period in 2012.

Other Gains and Losses

Other gains of the Group amounted to approximately HK$25.97 million for the reporting period (1.1.2012 to 30.6.2012: approximately HK$102.76 million). The gains mainly consisted of the net gain on fair value change of derivative financial instruments of approximately HK$16.86 million (1.1.2012 to 30.6.2012: approximately HK$90.85 million).

Selling and Distribution Costs

No selling and distribution costs was incurred by the Group for the reporting period (1.1.2012 to 30.6.2012: Nil).

Administrative Expenses

The Group's administrative expenses for the reporting period increased to approximately HK$16.88 million from approximately HK$16.53 million in the corresponding period in 2012. The slight increase was mainly due to pre-promotion expenses incurred in the property development project. Nevertheless administrative expenses incurred by other parts of the Group were reduced when compared with that in 2012.

Finance Costs

The Group's finance costs for the reporting period decreased to approximately HK$7.44 million from approximately HK$13.55 million in the corresponding period in 2012. The change was due to the decrease in imputed interests calculated on an average lower amount of convertible notes during the reporting period than in the corresponding period last year.

Profit for the Period and Earnings/Loss Per Share

The Group's profit attributable to owners of the Company for the reporting period was approximately HK$4.55 million (1.1.2012 to 30.6.2012: approximately HK$74.50 million). The decrease was mainly due to the change in net gain on fair value change of the derivative financial instruments. Basic earnings per share of the Group was HK0.239 cent per share for the six months ended 30 June 2013 (1.1.2012 to 30.6.2012: HK4.908 cents per share). Meanwhile, diluted loss per share was HK0.167 cent per share for the six months ended 30 June 2013 (1.1.2012 to 30.6.2012: HK0.144 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 property development project is still in construction stage, 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 property development project and the measures implemented by the PRC Government on the property development markets.

Property business

According to the existing development plan, the Group will develop the site owned by a 60% owned PRC subsidiary of the Company at Xi'an City, PRC (the "Site") as an area which consists of luxury residential buildings and commercial buildings by several phases.

Major construction works for Phase 1 of the property development project had only started last year. As a result, the Group did not record any revenue from the property development business for the reporting period but a loss of approximately HK$6.30 million (1.1.2012 to 30.6.2012: loss of approximately HK$3.02 million).

Investment in securities business

No revenue was generated from the operation of investment in securities for the reporting period and its segmental loss of approximately HK$1.23 million (1.1.2012 to 30.6.2012: loss of approximately HK$12.34 million) was due to the loss on change in fair value of held-for-trading investments.

Very Substantial Disposal and Major Acquisition

Very Substantial Disposal

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 (the "Disposal Agreement"), for the disposal of its entire interests in Allywing Investments Limited ("Allywing") and its subsidiary (collectively referred as the "Allywing Group") and the assignment of the entire amount of the shareholder's loan owed by Allywing to Good Base at an aggregated cash consideration of RMB320,000,000 (the "Disposal"). Allywing is a wholly owned subsidiary of the Company, which holds 60% of the entire equity interest in 西安遠聲實業有限公司 (Xi'an Yuansheng Enterprises Limited*) ("Xi'an Yuansheng"). Xi'an Yuansheng holds the Group's property development project in Xi'an City and the Site.

* For identification purpose only

Major Acquisition

On 9 May 2013, Prance Fortune Investments Limited ("Prance Fortune"), a wholly owned subsidiary of the Company, entered into a conditional agreement with Win Harbour Investments Limited ("Win Harbour"), an independent third party to the Group (the "Acquisition Agreement"), pursuant to which, Prance Fortune has conditionally agreed to purchase or procure to purchase the entire equity interest in 貴陽鼎天投資諮詢有限公司 (Guiyang Ding Tian Investment Consultancy Limited*) (the "Guiyang Ding Tian") at the aggregate of (i) the consideration of RMB1,000,000 for the entire equity interest in Guiyang Ding Tian under the Acquisition Agreement and (ii) the consideration of RMB68,000,000 to be paid under the Pre-sale Agreement (as defined below) (the "Acquisition").

On 1 April 2013, Guiyang Ding Tian and 貴陽中渝置地房地產開發有限公司 (Guiyang Zhong Yu Real Estate Development Company Limited*) ("GY Zhong Yu"), a company incorporated in the PRC, which is principally involved in properties investment and management and indirectly wholly owned by Win Harbour, which is principally engaged in investment holding, entered into a pre-sales agreement (the "Pre-sale Agreement"), for the purchase of the whole commercial building A27 of 中渝 • 第一城 (First City, Guiyang) Plot A being constructed and developed on a piece of land located in Guanshanhu District, Guiyang City, Guizhou Province (the "Guiyang Project") by Guiyang Ding Tian for a consideration of RMB68,000,000. Guiyang Ding Tian shall pay or procure to pay such amount to GY Zhong Yu or to the order of GY Zhong Yu before 31 December 2013 while GY Zhong Yu shall deliver the Guiyang Project to Guiyang Ding Tian before 31 December 2013.

The Disposal and the Acquisition constitute a very substantial disposal and a major transaction respectively for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and are therefore subject to reporting, announcement, circular and approval by the shareholders of the Company (the "Shareholders") requirements under the Listing Rules. These transactions were approved by the Shareholders at the special general meeting of the Company held on 17 July 2013. Details of the transactions were disclosed in the Company's announcements dated 9 May 2013, 31 May 2013, 24 June 2013 and 17 July 2013, and the circular dated 27 June 2013.

FUTURE PROSPECTS

For property business, we anticipate the property investment subsequent to completion of the Acquisition will make contribution to the Group's revenue in 2014.

Although the operating environment for property business remains challenging, 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 in order to enhance the Group's profitability and to maximize our shareholders' value.

*	For identification purpose only

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group's bank balances and cash was approximately HK$43.14 million (31 December 2012: approximately HK$33.27 million), representing an increase of 29.67%. There was no bank and other borrowings as at the end of the reporting period (31 December 2012: approximately HK$17.19 million).

As at 30 June 2013, the current ratio (current assets/current liabilities) was 6.32 times (31 December 2012: 8.01 times) and the net current assets amounted to approximately HK$608.78 million (31 December 2012: approximately HK$603.74 million).

During the reporting period, net cash used in operating activities was approximately HK$22.20 million and the net cash generated from investing activities was approximately HK$11.28 million. The net cash generated from financing activities was approximately HK$13.76 million. As a result, the net increase in cash and cash equivalents during the reporting period was approximately HK$2.84 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.

RELATED PARTIES TRANSACTION

Reference is made to the announcement of the Company dated 29 November 2010 and the circular dated 20 December 2010, on 29 November 2010, Allywing entered into a management agreement (the "Management Agreement") with Harvest Day Limited ("Harvest Day"), a company of which 60% issued share capital is held by a sister of Mr. Zhang Xi, the former joint chairman and executive director of the Company, who resigned with effect from 21 May 2012. Pursuant to the Management Agreement, Harvest Day would provide management and consultancy services to Allywing in connection with the development of the Site. Allywing would pay to Harvest Day an inclusive management fee of HK$50,000,000 by 3 installments. The resolution approving the Management Agreement and the annual caps of management fee payable to Harvest Day was passed at the special general meeting of the Company held on 6 January 2011. The first installment of HK$23,000,000 was paid on 7 January 2011 according to terms and conditions of the Management Agreement.

During the period under review, no project management fee was paid or payable under the Management Agreement.

Pursuant to the terms and conditions of the Disposal Agreement, termination of the Management Agreement is one of the conditions precedent to completion of the Disposal.

CAPITAL STRUCTURE

As at 30 June 2013, the Group's gearing ratio calculated on the basis of convertible notes, bank and other borrowings of approximately HK$125.28 million (31 December 2012: approximately HK$151.89 million) and total assets of approximately HK$723.45 million (31 December 2012: approximately HK$698.35 million), was 14.76% (31 December 2012: 17.86%).

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Disposal Agreement and the Acquisition Agreement were approved by the Shareholders at the special general meeting of the Company held on 17 July 2013. The Disposal and the Acquisition shall be completed upon satisfaction of certain conditions precedent as set out in the Disposal Agreement and the Acquisition Agreement respectively.

As at the date of this report, the Management Agreement (termination of which is one of the conditions precedent to completion of the Disposal) has been terminated. In addition, the Company has received deposit payment of RMB80,000,000 from Billion Sino in accordance with the terms and conditions of the Disposal Agreement, where such payment is also one of the conditions precedent as set out in the Acquisition Agreement. With other conditions precedent to be fulfilled, it is expected that the Disposal and the Acquisition will be completed in September 2013.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. The Group operates mainly in Hong Kong and the PRC. Most of the transactions are denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("USD"). The exchange rates of USD and RMB against HK$ are 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 usage 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 2013, the Group had approximately 67 full time management, administrative and operation staff in the PRC and Hong Kong.

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

ADDITIONAL INFORMATION

Interim Dividend

The Board did not recommend the payment of interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: Nil). Accordingly, no closure of register of members of the Company is proposed.

Disclosure of Interests

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures

As at 30 June 2013, the interests and short positions of each of the directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules, were as follows:

Long Positions in the Shares and Underlying Shares of the Company

Ordinary shares of US$0.001 each of the Company

Name of director	Capacity of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company (Note 1)
Mr. Ip Cheng Kuong	Interests in controlled corporation (Note 2)	74,280,000	3.90%

Note 1: The percentage was calculated based on the Company's issued share capital of 1,906,073,250 shares as at 30 June 2013.

Note 2: Mr. Ip Cheng Kuong has notified the Company that he is interested in those shares of the Company held by Global Zone International Limited, a company of which 51% interests are owned by him.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation of the Company (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Discloseable Interests and Short Positions of Shareholders under the SFO

As at 30 June 2013, to the best knowledge of the directors and chief executives of the Company, details of the interests and short positions in the shares and underlying shares of the Company of every person other than directors and chief executives of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in the Shares of the Company

Ordinary shares of US$0.001 each of the Company

Name of Shareholder	Capacity of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company (Note)
Ng Leung Ho	Beneficial owner	150,000,000	7.87%
So Chi Ming	Beneficial owner	250,000,000	13.12%

Note: The percentages were calculated based on the Company's issued share capital of 1,906,073,250 shares as at 30 June 2013.

Save as disclosed above, as at 30 June 2013, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company of any other person other than the directors or the chief executive of the Company required to be recorded in the register kept by the Company under Section 336 of the SFO.

Corporate Governance

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

Throughout the period from 1 January 2013 to 30 June 2013, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules with the exception of code provision A.2.1.

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. During the period under review, the Company did not name any officer with the title of "chief executive officer". Mr. Ip Cheng Kuong is the chairman of the Company ("Chairman") and Ms. Catherine Chen was the managing director of the Company ("Managing Director"). The Managing Director assumed the position of chief executive officer and was responsible for managing and smoothing the business operations of the Group while the Chairman was responsible for leading the Board in the overall strategic development of the Group.

The Chairman and the Managing Director are separate individuals with segregated roles and have no relationship with each other. The Board believes that there was an effective segregation of duties between the Chairman and the Managing Director.

Subsequent to the period under review, Ms. Catherine Chen resigned as (inter alia) an executive director and the Managing Director with effect from 1 August 2013. Thereafter, the Company has not appointed any director to fill the position of managing director. The Board has established an Investment and Management Committee (the "IMC") on 15 August 2013 to manage the operations and investment activities of the Group. The IMC also assumes 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").

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.

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 financial statements for the six months ended 30 June 2013.

Remuneration Committee

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

It is primarily responsible for offering advice to the Board on the matters pertaining to the remuneration policy and remuneration structure of the directors and senior management of the Company.

Nomination Committee

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.

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

Investment and Management Committee

The Board established the IMC on 15 August 2013. The IMC comprises two executive directors of the Company, namely Mr. Yeung Kwok Yu and Mr. Kwan Kam Hung, Jimmy.

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 by any other committees of the Board.

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. 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.

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 2013 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Purchase, Sale or Redemption of Listed Securities of the Company

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any listed securities of the Company.

Change in Directorship

Ms. Catherine Chen resigned as an executive director, managing director, general manager, authorised representative (for the purpose of Rule 3.05 of the Listing Rules) and authorised representative for the service of process and notices under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) of the Company and director, managing director and supervisor of certain subsidiaries of the Company with effect from 1 August 2013.

Publication of Unaudited Interim Results

The Company's 2013 interim report is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.cnepgl.com.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the Shareholders for their continuous supports. I would also extend my gratitude and appreciation to the Group's management and staff members for their dedication and hard work during the period.

By Order of the Board
Kwan Kam Hung, Jimmy
Executive Director

Hong Kong, 28 August 2013