

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA NEW ENERGY POWER GROUP LIMITED

中國新能源動力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING

After trading hours on 18 November 2011, the Company entered into the Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Sale Loan at the Consideration of HK\$100,000. The Sale Shares represent the entire issued share capital of, and the Company's entire interest in, Wood Art.

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

A circular containing, among other things, further details of the Disposal and a notice convening the SGM to approve the Disposal will be despatched to the Shareholders on or before 14 December 2011 in accordance with the Listing Rules.

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

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 21 November 2011 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 24 November 2011.

THE AGREEMENT

The Board is pleased to announce that after trading hours on 18 November 2011, the Company entered into the Agreement with the Purchaser, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares and the Sale Loan at the Consideration.

The principal terms of the Agreement are set out below:

Date

18 November 2011

Parties

Vendor: the Company

Purchaser: Intelligence International Limited.

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

Assets to be disposed of

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

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

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

Consideration

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

Conditions Precedent

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

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

Completion

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

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

INFORMATION OF THE WOOD ART GROUP

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

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

	Net profit/ (loss) before taxation and extraordinary items <i>HK\$'000</i>	Net profit/ (loss) after taxation and extraordinary items <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Gross profit/(loss) <i>HK\$'000</i>	Gross profit margin
For the year ended 31 December 2008	(67,174)	(59,249)	169,586	33,367	19.68%
For the year ended 31 December 2009	(4,602)	(8,416)	120,940	14,196	11.74%
For the year ended 31 December 2010	(411)	5,182	101,886	5,829	5.72%
For the six months ended 30 June 2011	(60,007)	(56,233)	32,328	(38,235)	-118.27%

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

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

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

FINANCIAL EFFECT OF THE DISPOSAL

With reference to the unaudited financial information of the Wood Art Group as at 30 June 2011, the Group would realize a book gain of approximately HK\$11.50 million from the Disposal. The book gain is computed by reference to, among other things, (a) the proceeds from the Consideration in the amount of approximately HK\$100,000, and (b) the unaudited net liabilities of the Wood Art Group of approximately HK\$409.25 million. In calculating such book gain resulting from the Disposal, factors including the assignment of shareholder's loan due from Wood Art Group to the Company, exchange reserves of approximately HK\$25.62 million attributable to the Wood Art Group and the impairment loss of the amounts due from Wood Art Group of approximately HK\$296.79 million to the Remaining Group have been taken into account. The actual book gain or loss derived from the Disposal would depend on the profit or loss of the Wood Art Group up to the date of Completion.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

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

On the other hand, the Company has been actively looking for solutions to improve the overall financial performance of the Group, including but not limited to reviewing the existing business operations of the Group and seeking other business and investment opportunities. As disclosed in the announcement of the Company dated 9 June 2010 and its circular dated 28 June 2010, the Group acquired, inter alia, the entire issued share capital of Allywing Investments Limited ("Allywing"). At the date of acquisition, Allywing had 60% equity interest in Xi'an Yuansheng Enterprises Limited ("Xi'an Yuansheng", together with Allywing, collectively referred to as the "Allywing Group"), a company established in the PRC, which principally holds a piece of land located in Xi'an, the PRC. In this connection, the Group has engaged Harvest Day to provide management and consultancy services to the Group in respect of the property development project

in Xi'an city, PRC under the management agreement as disclosed in the announcement of the Company dated 29 November 2010 (and its circular dated 20 December 2010) and also the 2011 Interim Report upon the terms and conditions thereof. The Directors consider that such property development project will provide the Group an opportunity to participate in the real estate market in the PRC, and is expected to provide positive contributions to the operation of the Group in the long run.

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

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

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

BUSINESS OF THE REMAINING GROUP

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

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

IMPLICATION UNDER THE LISTING RULES

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

GENERAL

A circular containing, among other things, further details of the Disposal and a notice convening the SGM to approve the Disposal will be despatched to the Shareholders on or before 14 December 2011 in accordance with the Listing Rules.

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

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 21 November 2011 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 24 November 2011.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“2011 Interim Report”	the 2011 interim report of the Group for the six months ended 30 June 2011
“Agreement”	the conditional sale and purchase agreement dated 18 November 2011 between the Company and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	China New Energy Power Group Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1041)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meanings ascribed thereto in the Listing Rules
“Consideration”	the aggregate consideration of HK\$100,000 for the Sale Shares and the Sale Loan under the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Company to the Purchaser pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Harvest Day”	Harvest Day Limited, a company of which 60% issued share capital is held by a sister of Mr. Zhang Xi, the joint chairman and an executive Director of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“LEG”	Lithium Energy Group Ltd.
“LEG Acquisition”	acquisition of the entire issued share capital of and assignment of the shareholder’s loan in LEG, as disclosed in the announcements of the Company dated 2 February 2011, 24 May 2011 and 30 September 2011, the circulars of the Company dated 25 May 2011 and 24 October 2011 and the 2011 Interim Report

“LEG Group”	LEG and its subsidiaries upon completion of reorganisation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lithium HK”	China Lithium Electric Vehicle Group (Hong Kong) Limited
“PRC”	the People’s Republic of China
“Purchaser”	Intelligence International Limited, a company incorporated in the BVI with limited liability
“Remaining Group”	the Group immediately after Completion
“Sale Loan”	the entire amount of the shareholder’s loan owed by Wood Art to the Company as at Completion, and for indicative purpose, approximately HK\$116,450,418.25 as at 31 October 2011
“Sale Shares”	10,000 ordinary shares of US\$1.00 each in the capital of Wood Art, representing the entire issued share capital of Wood Art as at the date of the Agreement and at Completion
“SGM”	the special general meeting of the Company to be convened and held to consider the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary shares of US\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wood Art”	Wood Art International Corporation, a company incorporated in the BVI and a wholly-owned subsidiary of the Company prior to Completion
“Wood Art Group”	Wood Art and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 23 November 2011

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