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CHINA NEW ENERGY POWER GROUP LIMITED

中國新能源動力集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) PROPOSED PLACING OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE;**
- (3) PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY; AND**
- (4) RESUMPTION OF TRADING**

Placing agent



KINGSTON SECURITIES LIMITED

PROPOSED CAPITAL REORGANISATION

The Company intends to put forward for approval by the Shareholders to effect the Capital Reorganisation which involves the following:–

- (i) **Share Consolidation:** every four (4) Existing Shares of US\$0.001 each in the issued and unissued share capital of the Company will be consolidated into one (1) Consolidated Share of par value of US\$0.004 each;
- (ii) **Capital Reduction:** upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from US\$0.004 to US\$0.001 by cancellation of US\$0.003 of the paid-up capital of each issued Consolidated Share; and
- (iii) **Share Premium Reduction:** the entire amount standing to the credit of the share premium account of the Company as at 30 June 2012 will be reduced and cancelled.

PLACING OF CONVERTIBLE NOTES

After morning trading session on 16 August 2012, the Company entered into the Placing Agreement with the Placing Agent whereby the Placing Agent has conditionally agreed to place, on a best efforts basis, the Convertible Notes in a maximum aggregate principal amount of HK\$120,000,000 to not less than six independent Placées in a maximum of four (4) tranches, in which each tranche shall not be less than principal amount of HK\$30,000,000 and in integral multiple of HK\$1,000,000 (save for the last tranche of the Placing where the aggregate principal amount of the Convertible Notes to be issued by the Company may be less than HK\$30,000,000).

The Convertible Notes will carry a right to convert into Conversion Shares at the conversion price of, subject to adjustment, HK\$0.12 per Conversion Share.

No application will be made for listing of the Convertible Notes. The Conversion Shares issuable on conversion of the Convertible Notes will be, if approved by the Shareholders at the SGM, allotted and issued under the Specific Mandate. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

PROPOSED AMENDMENTS TO BYE-LAWS

The Board proposes to seek the approval of the Shareholders at the SGM to amend the Bye-Laws for the purpose of strengthening the procedure to effect an appointment of an alternate director. Accordingly, the amendments to the Bye-Laws relate to the appointment of alternate Directors. Such amendments are subject to approval of the Shareholders by way of passing of a special resolution to be proposed at the SGM.

GENERAL

A circular containing, among others, further details of the Capital Reorganisation, the Placing Agreement and the transactions contemplated thereunder and the proposed amendments to the Bye-Laws, together with a notice of the SGM will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:00 p.m. on 16 August 2012 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 August 2012.

Shareholders and potential investors should note that the Capital Reorganisation and the Placing are subject to conditions to be fulfilled and hence may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PROPOSED CAPITAL REORGANISATION

The Company intends to put forward for approval by the Shareholders to effect the Capital Reorganisation which involves the following:–

- (i) Share Consolidation: every four (4) Existing Shares of US\$0.001 each in the issued and unissued share capital of the Company be consolidated into one (1) Consolidated Share of par value of US\$0.004 each;
- (ii) Capital Reduction: upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from US\$0.004 to US\$0.001 by cancellation of US\$0.003 of the paid-up capital of each issued Consolidated Share; and
- (iii) Share Premium Reduction: the entire amount standing to the credit of the share premium account of the Company as at 30 June 2012 will be reduced and cancelled.

The credit arising from the Capital Reduction and the Share Premium Reduction will be applied to reduce the accumulated losses of the Company. As at the date of this announcement, the authorised share capital of the Company is US\$100,000,000 divided into 100,000,000,000 Shares of US\$0.001 each, of which 7,624,293,000 Existing Shares have been issued and are fully paid. On the assumption that no Existing Shares will be issued after the date of this announcement, a credit of approximately US\$5,718,219.75 will arise from the Capital Reduction.

Any fraction of the Reorganised Shares, if any, arising from the Capital Reorganisation will not be issued to the Shareholders but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company. The Reorganised Shares will rank *pari passu* in all respects with each other.

In order to alleviate the difficulties arising from the existence of odd lots of the Reorganised Shares arising from the Capital Reorganisation, the Company will appoint an agent to stand in the market to provide matching services for the odd lots of the Reorganised Shares on a best effort basis during the period from Monday, 29 October 2012 to Friday, 16 November 2012 (both days inclusive). Further details in respect of the odd lots arrangement and the free exchange of new share certificates will be set out in the Circular.

Conditions of the Capital Reorganisation

The Capital Reorganisation (which will be effected in accordance with the Bye-Laws and the Companies Act) is conditional upon:

- (i) the passing of the necessary resolutions by the Shareholders approving the Capital Reorganisation at the SGM;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Reorganised Shares in issue arising from the Capital Reorganisation; and
- (iii) the compliance with the relevant procedures and requirements under the Listing Rules and the Companies Act to effect the Capital Reorganisation.

Assuming the above conditions are fulfilled, it is expected that the Capital Reorganisation will become effective on the Business Day immediately following the day of passing the relevant resolution approving the Capital Reorganisation. The legal advisers to the Company as to Bermuda law have confirmed that, subject to the conditions of the Capital Reorganisation as set out above being satisfied, the Capital Reorganisation will be in compliance with the laws of Bermuda.

Effects of the Capital Reorganisation

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Group and that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

The effect of the Capital Reorganisation on the share capital of the Company is summarized below:

	Prior to the Capital Reorganisation <i>(Note)</i>	Immediately following the Capital Reorganisation becoming effective
Nominal value of each share	US\$0.001	US\$0.001
Number of authorised shares	100,000,000,000	100,000,000,000
Authorised share capital	US\$100,000,000	US\$100,000,000
Number of shares in issue	7,624,293,000	1,906,073,250
Issued and fully paid up share capital	US\$7,624,293	US\$1,906,073.25

Note: The issued share capital immediately prior to the Capital Reorganisation becoming effective is presented here on the assumption that no Existing Shares would be issued as a result of any exercise of the rights attaching to the Previous Convertible Notes after the date of this announcement and prior to the date of Capital Reorganisation becoming effective.

Reasons for the Capital Reorganisation

The Directors believe that (i) the Share Consolidation enables the Company to meet the requirement of Rule 13.64 of the Listing Rules; (ii) the Capital Reduction is necessary in order to ensure that the Company's share capital accurately reflects the Company's available assets and will give greater flexibility to the Company to raise funds through the issue of new Shares in the future since the Company is not permitted to issue new Shares below their nominal value under the law of Bermuda; (iii) the Company can apply the credit arising from the Capital Reduction and the Share Premium Reduction to reduce the accumulated losses of the Company; and (iv) the Capital Reorganisation can reduce the transaction costs for dealing in the Shares, including charges by reference to the number of share certificates issued.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Reorganised Shares arising from the Capital Reorganisation.

The Reorganised Shares will be identical in all respects and rank pari passu in all respects with each other as to all future dividends and distributions which are declared, made or paid. Subject to the granting of the listing of, and permission to deal in, the Reorganised Shares on the Stock Exchange, the Reorganised Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Reorganised Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Board lot size

As at the date of this announcement, the Shares are traded on the Stock Exchange in board lots of 10,000 Existing Shares. After the Capital Reorganisation becoming effective, the board lot size of the Shares or Reorganised Shares (as the case may be) will remain unchanged.

Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, Shareholders may submit existing certificates for Existing Shares to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong to exchange from Friday, 12 October 2012 to Tuesday, 20 November 2012 (both dates inclusive), at the expense of the Company, for new certificates for the Reorganised Shares. Thereafter, certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate of the Existing Shares cancelled or each new share certificate issued for the Reorganised Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, upon the Capital Reorganisation becoming effective, the certificates for the Existing Shares will continue to be good evidence of legal title only and after the exchange of new certificates for the Reorganised Shares, it will be valid for dealing, trading and settlement purposes.

Possible adjustment to the Previous Convertible Notes

The completion of the Capital Reorganisation or the conversion of the Convertible Notes may lead to adjustments to the conversion price upon conversion of the Previous Convertible Notes. The Company will notify the holders of the Previous Convertible Notes and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Previous Convertible Notes and such adjustment will be certified by an approved merchant bank or an independent financial adviser or the auditors of the Company (as the case may be).

Expected timetable

The expected timetable for the proposed Capital Reorganisation is set out as follows:

2012

Expected date of despatch of circular with notice of SGM.	Tuesday, 18 September
Latest time to lodge transfer of Shares in order to be entitled to attend the SGM.	4:30 p.m., Monday, 8 October
Latest time for lodging form of proxy for the SGM.	11:00 a.m., Tuesday, 9 October
Closure of register of members of the Company	Tuesday, 9 October to Thursday, 11 October
Record date of the SGM.	Thursday, 11 October
Expected date and time of the SGM.	11:00 a.m., Thursday, 11 October
Publication of announcement of results of the SGM	Thursday, 11 October
Effective date of the Capital Reorganisation	Friday, 12 October
First day for free exchange of existing share certificates in light green color for new share certificates for Reorganised Shares in light yellow color	Friday, 12 October
Commencement in dealings in the Reorganised Shares	9:00 a.m., Friday, 12 October
Original counter for trading in Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m., Friday, 12 October
Temporary counter for trading in Reorganised Shares in board lots of 2,500 Reorganised Shares (in the form of existing share certificates in light green color) opens	9:00 a.m., Friday, 12 October

Original counter for trading in Reorganised Shares in board lots of 10,000 Reorganised Shares (in the form of new share certificates in light yellow color) re-opens 9:00 a.m., Monday, 29 October

Parallel trading in Reorganised Shares (in the form of new and existing share certificates) commences. 9:00 a.m., Monday, 29 October

Designated broker starts to stand in the market to provide matching services for odd lots of Reorganised Shares Monday, 29 October

Temporary counter for trading in Reorganised Shares in board lots of 2,500 Reorganised Shares (in the form of existing share certificates in light green color) closes4:00 p.m., Friday, 16 November

Parallel trading in Reorganised Shares in the form of new and existing share certificates closes.4:00 p.m., Friday, 16 November

Designated broker ceases to stand in the market to provide matching services for sale and purchase of odd lots of Reorganised Shares. Friday, 16 November

Last day for free exchange of existing share certificatesTuesday, 20 November

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

PLACING OF CONVERTIBLE NOTES

Date of Placing Agreement

After morning trading session on 16 August 2012

Parties

The Company and Placing Agent

Placing Agent

The Placing Agent has conditionally agreed to act as the agent of the Company to place, on a best efforts basis, the Convertible Notes which are proposed to be issued in a maximum aggregate principal amount of HK\$120,000,000 in a maximum of four (4) tranches. The Placing Agent will receive a placing commission of 1% of the amount equal to the aggregate principal amount of the Convertible Notes actually placed by the Placing Agent to selected Placees in the relevant tranche of the Placing, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Board is of the view that the Placing and the terms of the Placing Agreement (including but not limited to the placing commission) are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its associates are Independent Third Parties.

Placees

The Placing Agent will place the Convertible Notes to not less than six independent Placees (which will be independent professional, institutional or other investors), each of whom and whose beneficial owners (i) will not be a connected person of the Company; and (ii) will be an Independent Third Party. It is expected that none of the Placees will become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the Placing.

Conditions of the Placing

The Placing is conditional upon:

- (a) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the relevant Conversion Shares under the relevant tranche of the Placing (subject to conditions to which neither the Placing Agent nor the Company may reasonably object);
- (b) the grant of approval by the Shareholders on the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon exercise of the conversion rights under the Convertible Notes) and the Capital Reorganisation at the SGM;
- (c) the Capital Reorganisation becoming effective; and
- (d) (if so required by the laws of Bermuda) the approval of the Bermuda Monetary Authority for the issue of the Convertible Notes and the Conversion Shares issuable on conversion of the Convertible Notes has been obtained.

If the conditions are not fulfilled on or before the Long Stop Date, the Placing Agreement shall terminate and neither the Company nor the Placing Agent shall have any claim against the other for any costs or losses (save for any prior breaches of the Placing Agreement). The Placing Agent shall provide to the Company all information concerning itself and the Placees as the Stock Exchange may reasonably require.

Undertaking by the Placing Agent

The Placing Agent undertakes with the Company that it shall procure and shall procure sub-placing agents to procure independent Placees to subscribe for the Convertible Notes which upon full conversion will enable the Company to maintain and/or meet the public float requirements under Rule 8.08 of the Listing Rules immediately after completion of the relevant tranche of the Placing.

Termination and force majeure for the Placing

The Placing Agreement may be terminated by the Placing Agent, if, at any time prior to 10:00 a.m. on the relevant date of completion of the Placing, in the absolute opinion of the Placing Agent, the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (a) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the Placing Agreement or circulars relating to the placing of the Convertible Notes and in the ancillary agreements thereto; or
- (c) any of the following events:
 - (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Convertible Notes by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the placing of Convertible Notes; or
 - (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) which would materially and adversely affect the success of the placing of the Convertible Notes (such success being the placing of the Convertible Notes to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the placing of the Convertible Notes

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the relevant completion date of relevant tranche of the Placing and provided further that such termination shall not affect any partial completion of the relevant tranche of the Placing that have taken place prior to such date of termination.

Completion of the Placing

Completion of the Placing Agreement shall take place within four Business Days following the date on which the conditions of the Placing Agreement are fulfilled or on such other date as the Company and the Placing Agent shall agree.

The Placing can be completed partially by a maximum of 4 tranches provided that the aggregate principal amount of the Convertible Notes to be issued by the Company for each partial completion shall not be less than HK\$30,000,000 and in integral multiple of HK\$1,000,000 (save for the last tranche of the Placing where the aggregate principal amount of the Convertible Notes to be issued by the Company may be less than HK\$30,000,000). The Company will issue an announcement upon each partial completion of the Placing. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the relevant Conversion Shares once the Placing Agent confirms to the Company that the aggregate principal amount of the Convertible Notes to be subscribed by the Placees procured by the Placing Agent has reached HK\$30,000,000 or above and that partial completion of the Placing can take place.

The Convertible Notes

The terms of the Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal amount

A maximum aggregate of HK\$120,000,000.

Interest

The Convertible Notes will be non-interest bearing.

Maturity date

The Convertible Notes shall mature on the date falling upon the expiry of three years from the date on which the Convertible Notes is first issued or if such date is not a Business Day, the immediate preceding Business Day.

Denomination

HK\$1,000,000 each

Conversion price

The initial conversion price, subject to the adjustment, shall be HK\$0.12 per Conversion Share. The conversion price of the Convertible Notes was arrived at after arm's length negotiations between the Company and the Placing Agent and with reference to ,among other things, the recent trading price of the Shares and the financial position of the Group. The conversion prices of the Convertible Notes 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 subsequent issue of securities in the Company, and will in any event not be adjusted below the par value of the Share. In addition, every adjustment to the conversion price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved merchant bank.

The conversion price of HK\$0.12 per Reorganised Share (and for illustration purpose, HK\$0.03 per Existing Share) represents:

- (a) a discount of approximately 57.14% to the adjusted closing price of HK\$0.28 per Reorganised Share, based on the closing price of HK\$0.070 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (b) a discount of approximately 51.02% to the adjusted closing price of approximately HK\$0.245 per Reorganised Share, based on the average closing price of HK\$0.0612 per Existing Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (c) a discount of approximately 50.41% to the adjusted closing price of approximately HK\$0.242 per Reorganised Share, based on the average closing price of HK\$0.0606 per Existing Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and adjusted for the effect of the Capital Reorganisation.

Conversion

Each holder may convert the whole or part of the principal amount of the relevant Convertible Notes (in multiple of HK\$1,000,000 at any one time of conversion) into new Shares unless the principal amount of the outstanding Convertible Notes is less than HK\$1,000,000 in which case the whole (but not part only) of such outstanding principal amount of the Convertible Notes shall be converted.

No conversion shall be made by the Noteholder unless the Noteholder provides, to the reasonable satisfaction of the Company, evidence that such Noteholder and its parties acting in concert will not be beneficially interested in 30% or more of the then issued share capital and/or the voting rights of the Company immediately upon conversion.

In addition, no conversion shall be made by the Noteholder unless immediately after exercise of such conversion rights attaching to the Convertible Notes, the Company will be able to comply with the public float requirements under Rule 8.08 of the Listing Rules.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Notes in the aggregate principal amount of HK\$120,000,000 at the conversion price of HK\$0.12 per Conversion Share by all Noteholders, the Company will issue an aggregate of 1,000,000,000 new Reorganised Shares, representing approximately 52.46% of the issued share capital of the Company immediately after Capital Reorganisation becoming effective (based on the Company's existing issued share capital as at the date of this announcement) and approximately 34.41% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Ranking

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue at the date of the conversion notice.

Redemption by the Company

The Company shall, at any time before the Maturity Date, have the option to redeem the Convertible Notes in whole or in part by giving not less than 7 clear Business Day's prior notice. The amount payable for any redemption shall be the relevant amount of the principal amount of the Convertible Notes so redeemed.

Status of the Convertible Notes

The Convertible Notes constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company. The Noteholders shall not be entitled to receive dividend of the Company.

Transferability

The Convertible Notes may be assigned or transferred by Noteholders with the prior written notifications made to the Company, provided that, the Convertible Notes shall not be assigned or transferred to a connected person of the Company. The Company will notify the Stock Exchange should it become aware of the Convertible Notes have been assigned or transferred to a connected person of the Company. The principal amount to be transferred must be at least HK\$1,000,000 or integral multiples of HK\$1,000,000.

Voting Rights

The Convertible Notes do not confer any voting rights at any meetings of the Company.

Listing

No application will be made for the listing of the Convertible Notes. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares in the manner as set out above.

Specific Mandate

The Conversion Shares to be issued pursuant to conversion of the Convertible Notes will be, if approved by the Shareholders at the SGM, allotted and issued under a Specific Mandate.

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in property development business and it is also seeking to diversify into profitable and high potential investment projects.

The gross proceeds and the net proceeds from the Placing will be approximately HK\$120 million and HK\$118.8 million respectively and accordingly, the net conversion price of each Conversion Share will be approximately HK\$0.118. The Board intends to reserve (i) up to HK\$90 million to redeem the Previous Convertible Notes with an outstanding principal amount of HK\$90 million as at the date of this announcement, which will expire on 28 December 2012, so as to reduce the short-term liabilities of the Company and (ii) the remaining balance of approximately HK\$28.8 million to strengthen the cash position of the Company and/or to provide funding for the business operations and development of the Company.

The Board considers that the Placing is conducted in the best interest of the Company in view of the prevailing volatile market conditions. The Board also considered that the issue of the Convertible Notes is an appropriate means of raising additional capital for the Company since it will provide the Company with immediate funding without incurring any interest and may not result in an immediate dilution effect to the existing Shareholders, should the Noteholder does not convert the Convertible Notes immediately after the completion of the Placing. In addition, the Placing gives the opportunity to the Company to broaden its Shareholder and capital base and strengthen the cash position of the Company. Accordingly, the Board considers that the Placing is fair and reasonable and in the interests of the Company and Shareholders as a whole.

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

Save for the proposed placing of Shares and convertible notes of the Company as disclosed in the announcements of the Company dated 2 February 2011, 24 May 2011, 30 September 2011 and 30 March 2012 and the circulars of the Company dated 25 May 2011 and 24 October 2011 which had lapsed on 31 March 2012, the Company has not undertaken any fund raising exercises in the 12 months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE

To the best of the Directors' knowledge, information and belief, based on public information, the effects on the shareholding structure of the Company (i) upon Capital Reorganisation becoming effective; (ii) upon Capital Reorganisation becoming effective and upon full conversion of the Convertible Notes; (iii) upon Capital Reorganisation becoming effective and upon full conversion of the Convertible Notes and the Previous Convertible Notes are set out below:

Shareholders	As at the date of this announcement		Upon Capital Reorganisation becoming effective		Upon Capital Reorganisation becoming effective and upon full conversion of the Convertible Notes		Upon Capital Reorganisation becoming effective and upon full conversion of the Convertible Notes and the Previous Convertible Notes	
	No. of Shares held	Approximate shareholding percentage %	No. of Reorganised Shares held	Approximate shareholding percentage %	No. of Reorganised Shares held	Approximate shareholding percentage %	No. of Reorganised Shares held	Approximate shareholding percentage %
Ip Cheng Kuong (Note 1)	297,120,000	3.90	74,280,000	3.90	74,280,000	2.56	74,280,000	2.37
Global Zone International Limited (Note 1)	297,120,000	3.90	74,280,000	3.90	74,280,000	2.56	74,280,000	2.37
So Chi Ming	1,000,000,000	13.12	250,000,000	13.12	250,000,000	8.60	250,000,000	7.98
Public Shareholders:								
Noteholders (Note 2)	-	-	-	-	1,000,000,000	34.41	1,000,000,000	31.94
Holders of Previous Convertible Notes (Note 3)	-	-	-	-	-	-	225,000,000 (Note 3)	7.19
Ng Leung Ho	600,000,000	7.87	150,000,000	7.87	150,000,000	5.16	150,000,000	4.79
Other public shareholders	5,727,173,000	75.12	1,431,793,250	75.12	1,431,793,250	49.27	1,431,793,250	45.73
Total	7,624,293,000	100.00	1,906,073,250	100.00	2,906,073,250	100.00	3,131,073,250	100.00

Notes:

1. Mr. Ip Cheng Kuong is an executive Director and the chairman of the Company. He is interested in those Shares held by Global Zone International Limited, a company in which he is interested in 51% of its share capital.
2. The figures set out in this column are for illustrative purposes only. Pursuant to the terms of the Convertible Notes, no conversion shall be made by the Noteholder unless (i) the Noteholder provides, to the reasonable satisfaction of the Company, evidence that such Noteholder and parties acting in concert with it will not be beneficially interested in 30% or more of the then issued share capital and/or the voting rights of the Company; and (ii) the Company will be able to comply with the public float requirements under the Rule 8.08 of the Listing Rules, immediately upon conversion.
3. The figures set out in this column are for illustrative purposes only and assuming no price adjustment is made to the conversion price of the Previous Convertible Notes. Pursuant to the terms of the Previous Convertible Notes, no conversion shall be made by the noteholder unless (i) the noteholder provides, to the reasonable satisfaction of the Company, evidence that such noteholder and parties acting in concert with it will not be beneficially interested in 30% or more of the then issued share capital and/or the voting rights of the Company; and (ii) the Company will be able to comply with the public float requirements under the Rule 8.08 of the Listing Rules, immediately upon conversion.
4. The percentages as shown in the table above may not add up to 100% due to rounding.

PROPOSED AMENDMENTS TO BYE-LAWS

The Board proposes to seek the approval of the Shareholders at the SGM to amend the Bye-Laws for the purpose of strengthening the procedure to effect an appointment of an alternate director. Accordingly, the amendments to the Bye-Laws relate to the appointment of alternate Directors. Such amendments are subject to approval of the Shareholders by way of passing of a special resolution to be proposed at the SGM.

GENERAL

The Company will seek approval by the Shareholders on the Capital Reorganisation, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares) and the proposed amendments to the Bye-Laws at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the SGM.

A circular containing, among others, further details of the Capital Reorganisation, the Placing Agreement and the transactions contemplated thereunder and the proposed amendments to the Bye-Laws, together with a notice of the SGM will be despatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:00 p.m. on 16 August 2012 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 20 August 2012.

Shareholders and potential investors should note that the Capital Reorganisation and the Placing are subject to conditions to be fulfilled and hence may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday and public holiday, or days on which a typhoon signal No. 8 or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks are generally open for business in Hong Kong
“Bye-Laws”	the bye-laws of the Company from time to time
“Capital Reduction”	the proposed reduction of the par value of each issued Consolidated Share 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 Reorganisation”	the proposed reorganisation of the share capital of the Company as set out in the section headed “Proposed Capital Reorganisation” in this announcement, including, inter alia, the Share Consolidation, the Capital Reduction and the Share Premium Reduction
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be issued by the Company and despatched to the Shareholders giving details of, inter alia, the Capital Reorganisation, the Placing, the proposed amendments to the Bye-Laws and other information concerning the Company as required under the Listing Rules and containing a notice of the SGM
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“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
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary shares of US\$0.004 each in the issued and unissued share capital of the Company after the Share Consolidation becoming effective
“Conversion Shares”	those Reorganised Shares to be issued upon the exercise of the conversion rights under the Convertible Notes at the initial conversion price of HK\$0.12 per Share (subject to adjustment)

“Convertible Notes”	the convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK\$120,000,000 due on Maturity Date
“Directors”	the directors of the Company
“Existing Share(s)”	the ordinary share(s) of US\$0.001 each in the existing issued share capital of the Company, before the Capital Reorganisation becoming effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	independent third parties which are not connected with the chief executive, Directors and substantial shareholder(s) of the Company or any of its subsidiaries and their respective associates, and any of them an “Independent Third Party”
“Last Trading Day”	16 August 2012 (being the date of the Placing Agreement and the last trading day immediately prior to the publish of this announcement)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date falling on the expiry of four (4) calendar months after the date of SGM (or such later date as may be agreed between the Company and the Placing Agent), being the long stop date for the fulfilment or waiver (as the case may be) of the conditions as set out in the Placing Agreement or, if such date is not a Business Day, the immediate preceding Business Day
“Maturity Date”	the date falling upon the expiry of three (3) years from the date on which the Convertible Notes is first issued or if such date is not a Business Day, the immediate preceding Business Day
“Noteholder(s)”	the holder(s) of the Convertible Notes
“Placee(s)”	placees under the Placing
“Placing”	the placing of the Convertible Notes by the Placing Agent on a best efforts basis
“Placing Agent”	Kingston Securities Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activity

“Placing Agreement”	a conditional placing agreement dated 16 August 2012 entered into between the Company and the Placing Agent in relation to the Placing
“PRC”	the People’s Republic of China
“Previous Convertible Notes”	a 3 years convertible note in the principal amount of HK\$800,000,000 issued by the Company due on 28 December 2012 with a conversion price of HK\$0.1 per Share (subject to adjustment), which has an outstanding principal amount of HK\$90,000,000 as at the date of this announcement
“Reorganised Shares”	ordinary share(s) of US\$0.001 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held to consider the Capital Reorganisation, the Placing Agreement and the transactions contemplated therein and the proposed amendments to Bye-Laws
“Share Consolidation”	the proposed consolidation of every four (4) Existing Shares of US\$0.001 each into one (1) Consolidated Share of US\$0.004 in the issued share capital of the Company
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company, and all other (if any) shares from time to time and for the time being ranking pari passu therewith and all other (if any) shares of the Company resulting from any sub-division, consolidation, capital reduction, re-classification or realisation of Shares
“Shareholder(s)”	holder(s) of the issued Share(s) or the Reorganised Share(s) (as the case may be)
“Specific Mandate”	the authority to issue and allot such amount of new Shares upon conversion of the Convertible Notes to satisfy all the conversion rights of Noteholders pursuant to a Shareholders’ resolution to be proposed at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board of
China New Energy Power Group Limited
Yeung Kwok Yu
Executive Director

Hong Kong, 17 August 2012

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