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

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

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of China New Energy Power Group Limited.

**CHINA NEW ENERGY POWER GROUP LIMITED****中國新能源動力集團有限公司**

(formerly known as Fulbond Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

**ENTERING INTO OF THE SUPPLEMENTAL ACQUISITION AGREEMENT
AND
EXTENSION OF THE LONG STOP DATES IN RELATION TO
THE SHARE PLACING AGREEMENTS AND THE CN PLACING AGREEMENT
AND
REFRESHMENT OF SPECIFIC MANDATES
AND
NOTICE OF SPECIAL GENERAL MEETING**

A letter from the Board is set out on pages 7 to 16 of this circular.

A notice convening a special general meeting of China New Energy Power Group Limited to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 10 November 2011 at 11:00 a.m. or any adjournment thereof is set out on pages 17 to 21 of this circular. A proxy form for use at the special general meeting is enclosed. Whether or not you propose to attend the special general meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

Hong Kong, 24 October 2011

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DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares and the Shareholder’s Loan by the Purchaser in accordance with the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 13 January 2011 entered into between the Purchaser, the Vendor and the Vendor’s Guarantors (as supplemented and amended by a supplemental agreement made between the same parties on 23 May 2011) in respect of the Acquisition
“Acquisition Circular”	circular of the Company dated 25 May 2011 in respect of the Acquisition
“Acquisition Completion”	completion of the Acquisition in accordance with the Acquisition Agreement
“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business
“CN Placing”	the placing of the Convertible Notes by the CN Placing Agent on a best efforts basis
“CN Placing Agent”	Kingston
“CN Placing Agreement”	a conditional placing agreement dated 13 January 2011 entered into between the Company and the CN Placing Agent (as supplemented and amended by side letters made between the Company and the CN Placing Agent on 1 February 2011 and 23 May 2011) in relation to the CN Placing
“CN Placing Specific Mandate”	the authority to allot and issue such amount of Conversion Shares
“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

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“Completion Date”	a date falling within thirty business days after the fulfillment of the Conditions Precedent or such other time as mutually agreed by the parties to the Acquisition Agreement
“Conditions Precedent”	the conditions precedent of the Acquisition Agreement
“Consideration”	the consideration for the Acquisition
“Conversion Shares”	those shares to be issued upon the exercise of the conversion rights under the Convertible Notes
“Convertible Notes”	the convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK\$500,000,000 due on the Maturity Date pursuant to the CN Placing Agreement
“Directors”	the directors of the Company
“GDS”	Guangdong Securities Limited, a licensed corporation to carry on type 1 regulated activities (dealing in securities), type 2 regulated activities (dealing in futures contracts), type 4 regulated activities (advising on securities), type 6 regulated activities (advising on corporate finance) and type 9 regulated activities (asset management) under the SFO
“GDS Placing”	the placing of 5,882,000,000 new Shares by GDS on a best effort basis pursuant to the GDS Placing Agreement
“GDS Placing Agreement”	a conditional placing agreement dated 13 January 2011 entered into between the Company and GDS (as supplemented and amended by side letters made between the Company and GDS on 1 February 2011 and 23 May 2011) in relation to the GDS Placing
“GDS Placing Specific Mandate”	the authority to allot and issue such amount of new Shares under the GDS Placing
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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“Kingston”	Kingston Securities Limited, a licensed corporation to carry on type 1 regulated activities (dealing in securities) under the SFO
“Kingston Placing”	the placing of 2,941,000,000 new Shares by Kingston on a best effort basis pursuant to the Kingston Placing Agreement
“Kingston Placing Agreement”	a conditional placing agreement dated 13 January 2011 entered into between the Company and Kingston (as supplemented and amended by side letters made between the Company and Kingston on 1 February 2011 and 23 May 2011) in relation to the Kingston Placing
“Kingston Placing Specific Mandate”	the authority to allot and issue such amount of new Shares under the Kingston Placing
“Latest Practicable Date”	20 October 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lithium HK”	China Lithium Electric Vehicle Group (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
“Lithium Jilin”	吉林鋰源電動車有限公司 (Jilin Lithium Electric Vehicles Company Limited*), a company incorporated in the PRC with limited liability
“Lithium Power Motor”	唐山鋰源鋰動力電池科技有限公司 (Tangshan Lithium Power Motor Technology Company Limited*), a company incorporated in the PRC with limited liability
“Lithium Zhuhai”	珠海鋰源新能源科技有限公司 (Zhuhai Lithium New Energy Sources Technology Limited*), a company incorporated in the PRC with limited liability
“Maturity Date”	the date falling upon the expiry of five years from the date on which the Convertible Notes is first issued or if such date is not a business day, the immediately preceding business day

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“Original Owners”	two individuals, being the original owners of the entire registered capital of Lithium Zhuhai
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan Region
“Profit Target Fulfillment Dates”	the dates for the fulfillment of the various profit targets under the Acquisition Agreement
“Purchaser”	Fulbond Investments Limited, a wholly-owned subsidiary of the Company
“Reorganisation”	the corporate reorganisation of Lithium HK, Lithium Zhuhai and its subsidiaries including but not limited to Lithium HK acquiring Lithium Zhuhai’s entire registered capital from the Original Owners and obtaining the relevant approvals from the PRC government authorities; completion of disposal of interests in companies which are not members of the Target Group; and transfer of business from other shareholders to the Target Group
“Sale Shares”	an aggregate of 50,000 shares of US\$1.00 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting to be held by the Company to consider and, if thought fit, approve the adjustment of the Subsequent Fulfillment Dates under the Acquisition Agreement, the refreshment of the Specific Mandates granted by the Shareholders at the special general meeting of the Company on 21 June 2011 and the respective transactions contemplated thereunder
“Share(s)”	ordinary share(s) of US\$0.001 each in the share capital of the Company
“Share Placing(s)”	the Kingston Placing and/or the GDS Placing
“Share Placing Agent(s)”	Kingston and/or GDS

DEFINITIONS

“Share Placing Agreement(s)”	Kingston Placing Agreement and/or GDS Placing Agreement
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the shareholder’s loan due and owing to the Vendor by the Target Company as at the Completion Date (as at the date of the Acquisition Agreement, the amount of such shareholder’s loan is approximately HK\$451,000)
“Specific Mandates”	the CN Placing Specific Mandate, the GDS Placing Specific Mandate and/or the Kingston Placing Specific Mandate (as the case may be)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsequent CP Fulfillment Dates”	the dates for the fulfillment of the subsequent conditions precedent under the Acquisition Agreement
“Subsequent Fulfillment Dates”	including, the Profit Target Fulfillment Dates, the Subsequent CP Fulfillment Dates and the Subsequent Payment Dates
“Subsequent Payment Dates”	the dates for the payment of the subsequent tranches of the Consideration under the Acquisition Agreement
“Supplemental Acquisition Agreement”	the supplemental acquisition agreement dated 30 September 2011 entered into among the Purchaser, the Vendor and the Vendor’s Guarantors as supplemental and amendment to the Acquisition Agreement
“Target Company”	Lithium Energy Group Ltd., a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company, Lithium HK, Lithium Zhuhai and its subsidiaries after completion of Reorganisation
“TG Consolidated Net Profit”	the audited consolidated net profit of the Target Group (after taxation and minority interest but before non-recurring income and extraordinary income and non-operating income)
“Vendor”	Hefu Limited, a company incorporated in the British Virgin Islands with limited liability

DEFINITIONS

“Vendor’s Guarantors”	Yeung Tsoi San, Lau Yung and Fei Phillip
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese version shall prevail.

LETTER FROM THE BOARD



CHINA NEW ENERGY POWER GROUP LIMITED

中國新能源動力集團有限公司

(formerly known as Fulbond Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

Executive Directors:

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

Independent Non-Executive Directors:

Ms. Ma Yin Fan
Mr. Leung Hoi Ying
Mr. Yu Pan

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal

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

24 October 2011

To the Shareholders

Dear Sir or Madam,

**ENTERING INTO OF THE SUPPLEMENTAL ACQUISITION AGREEMENT
AND
EXTENSION OF THE LONG STOP DATES IN RELATION TO
THE SHARE PLACING AGREEMENTS AND THE CN PLACING AGREEMENT
AND
REFRESHMENT OF SPECIFIC MANDATES
AND
NOTICE OF SGM**

INTRODUCTION

Reference is made to the announcements of the Company dated 2 February 2011, 24 May 2011, 30 September 2011 and the circular of the Company dated 25 May 2011 in relation to, inter alia, (i) the acquisition of the Sale Shares and assignment of the Shareholder's Loan, which constitutes a very substantial acquisition for the Company under the Listing Rules, (ii) placing of new shares under Specific Mandates and (iii) placing of Convertible Notes.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of (i) the Supplemental Acquisition Agreement, (ii) the change of Placing Long Stop Date (as hereinafter defined), (iii) the refreshment of the Specific Mandates, (iv) update on the Target Group after the despatch of the Acquisition Circular, and (v) the notice of the SGM.

SUPPLEMENTAL ACQUISITION AGREEMENT

As stated in the Acquisition Circular, it is one of the Conditions Precedent that completion of the placing of shares and convertible notes of the Company and obtaining the proceeds from such placing of not less than HK\$1 billion shall take place (or waived by the Purchaser) on or before 30 September 2011 or such other date as the parties to the Acquisition Agreement may agree, failing which, the Acquisition Agreement and the transactions contemplated thereunder shall terminate and be null and void and of no further effect and no parties thereto shall have any liability to any other party, save in respect of any prior breaches (“Long Stop Date”). In view of the volatility of the Hong Kong stock market recently of which the Hang Seng Index at the end of September 2011 was about 17,500 (representing a decrease of about 21% in Hang Seng Index in the previous three months’ period) together with relatively large size of the CN Placing and the even larger size of the Share Placings and that additional time is required to complete the CN Placing and the Share Placings, thus such Conditions Precedent has yet to be fulfilled. Accordingly, on 30 September 2011, the Purchaser, the Vendor and the Vendor’s Guarantors entered into the Supplemental Acquisition Agreement to amend certain terms and conditions of the Acquisition Agreement. These amendments include, among other things, (i) the extension of the Long Stop Date for the fulfillment of the Conditions Precedent and (ii) the adjustments of the Subsequent Fulfillment Dates, which dates are to be adjusted accordingly as a result of such delay in completion timetable.

Extension of the Long Stop Date

Pursuant to the Supplemental Acquisition Agreement, the Long Stop Date for fulfillment or waiver of the Conditions Precedent will be further extended to 31 March 2012.

Changes to Consideration adjustment

In view of the delay in the completion timetable, the fulfillment of the Profit Target by the relevant initial Profit Target Fulfillment Dates under the Acquisition Agreement may not be feasible and may have to be adjusted accordingly.

Pursuant to the Supplemental Acquisition Agreement, the fulfillment of the Profit Target will be adjusted as follows:

The Vendor has guaranteed to the Group that the TG Consolidated Net Profit for the 5 financial years commencing from 1 January 2012 to 31 December 2016 will be not less than HK\$1.12 billion including:

- (a) TG Consolidated Net Profit of not less than HK\$70 million for the financial year ended 31 December 2012 (as opposed to the financial year of the Completion Date under the Acquisition Agreement);

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- (b) TG Consolidated Net Profit of not less than HK\$150 million for the financial year ended 31 December 2013 (as opposed to the first financial year immediately following the Completion Date under the Acquisition Agreement);
- (c) TG Consolidated Net Profit of not less than HK\$250 million for the financial year ended 31 December 2014 (as opposed to the second financial year immediately following the Completion Date under the Acquisition Agreement);
- (d) TG Consolidated Net Profit of not less than HK\$300 million for the financial year ended 31 December 2015 (as opposed to the third financial year immediately following the Completion Date under the Acquisition Agreement); and
- (e) TG Consolidated Net Profit of not less than HK\$350 million for the financial year ended 31 December 2016 (as opposed to the fourth financial year immediately following the Completion Date under the Acquisition Agreement).

Changes in Conditions Precedent

As a result of the adjustments to the Profit Target Fulfillment Dates, the Subsequent CP Fulfillment Dates for the fulfillment of the subsequent conditions precedent under the Acquisition Agreement may also have to be adjusted. For easy reference, the adjustment made to the Subsequent CP Fulfillment Dates will be illustrated with reference to the section headed “Consideration” in the Acquisition Circular and thus, terms used under this sub-section “Changes in Conditions Precedent” shall have the same meanings as defined in the Acquisition Circular unless defined otherwise.

Pursuant to the Supplemental Acquisition Agreement, sub-paragraphs (ii) to (iv) of the 2nd Stage CP, 3rd Stage CP, 4th Stage CP and 5th Stage CP as set out in the section headed “Consideration” in the Acquisition Circular have been amended as follows:

2nd Stage CP

- (i) in relation to sub-paragraph (ii) of the 2nd Stage CP, the repair rate within warranty period and goods return rate of the products of the Target Group for 2012 (as opposed to the financial year of the Acquisition Completion under the Acquisition Agreement) have attained the standard requirement of the relevant PRC industries, of not higher than 15%;
- (ii) in relation to sub-paragraph (iii) of the 2nd Stage CP, the Purchaser is satisfied with the collection level of account receivables and the cash flows of the Target Group in 2012 (as opposed to the financial year of the Acquisition Completion under the Acquisition Agreement); and
- (iii) in relation to sub-paragraph (iv) of the 2nd Stage CP, the Target Group has obtained sales contracts or sales orders for the subsequent two years after 2012 (as opposed to the subsequent two years after the financial year of the Acquisition Completion

LETTER FROM THE BOARD

under the Acquisition Agreement) and the Purchaser is satisfied with such sales amounts or number of vehicles ordered.

3rd Stage CP

- (i) in relation to sub-paragraph (ii) of the 3rd Stage CP, the repair rate within warranty period and goods return rate of the products of the Target Group for the period from 2012 to 31 December 2013 (as opposed to the period from the financial year of Acquisition Completion to the end of the first financial year after Acquisition Completion under the Acquisition Agreement) have attained the standard requirement of the relevant PRC industries, of not higher than 15%;
- (ii) in relation to sub-paragraph (iii) of the 3rd Stage CP, the Purchaser is satisfied with the collection level of account receivables and the cash flows of the Target Group in 2012 and 2013 (as opposed to the two financial years after Acquisition Completion under the Acquisition Agreement);
- (iii) in relation to sub-paragraph (iv) of the 3rd Stage CP, the Target Group has obtained sales contracts or sales orders for the subsequent two years after 2013 (as opposed to the subsequent two years after the first financial year after Acquisition Completion under the Acquisition Agreement) and the Purchaser is satisfied with such sales amounts or number of vehicles ordered.

4th Stage CP

- (i) in relation to sub-paragraph (ii) of the 4th Stage CP, the repair rate within warranty period and goods return rate of the products of the Target Group for the period from 2012 to 31 December 2014 (as opposed to the period from the financial year of Acquisition Completion to the end of the second financial year after Acquisition Completion under the Acquisition Agreement) have attained the standard requirement of the relevant PRC industries, of not higher than 15%;
- (ii) in relation to sub-paragraph (iii) of the 4th Stage CP, the Purchaser is satisfied with the collection level of account receivables and the cash flows of the Target Group in 2012 to 2014 (as opposed to the three financial years after Acquisition Completion under the Acquisition Agreement);
- (iii) in relation to sub-paragraph (iv) of the 4th Stage CP, the Target Group has obtained sales contracts or sales orders for the subsequent two years after 2014 (as opposed to the subsequent two years after the second financial year after Acquisition Completion under the Acquisition Agreement) and the Purchaser is satisfied with such sales amounts or number of vehicles ordered.

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5th Stage CP

- (i) in relation to sub-paragraph (ii) of the 5th Stage CP, the repair rate within warranty period and goods return rate of the products of the Target Group for the period from 2012 to 31 December 2016 (as opposed to the period from the financial year of Acquisition Completion to the end of the fourth financial year after Acquisition Completion under the Acquisition Agreement) have attained the standard requirement of the relevant PRC industries, of not higher than 15%;
- (ii) in relation to sub-paragraph (iii) of the 5th Stage CP, the Purchaser is satisfied with the collection level of account receivables and the cash flows of the Target Group in 2012 to 2016 (as opposed to the five financial years after Acquisition Completion under the Acquisition Agreement);
- (iii) in relation to sub-paragraph (iv) of the 5th Stage CP, the Target Group has obtained sales contracts or sales orders for the subsequent two years after 2016 (as opposed to the subsequent two years after the fourth financial year after Acquisition Completion under the Acquisition Agreement) and the Purchaser is satisfied with such sales amounts or number of vehicles ordered.

Change in payment mechanism of the Consideration

In view of the above adjustments to the Profit Target Fulfillment Dates and the Subsequent CP Fulfillment Dates, the Subsequent Payment Dates for the payment of the subsequent tranches of the Consideration under the Acquisition Agreement may further have to be adjusted. For easy reference, the adjustment made to the Subsequent Payment Dates will be illustrated with reference to the section headed “Consideration” in the Acquisition Circular and thus, terms used under this sub-section “Change in payment mechanism of the Consideration” shall have the same meanings as defined in the Acquisition Circular unless defined otherwise.

Pursuant to the Supplemental Acquisition Agreement, the issue date of the 2nd Stage Shares, the 3rd Stage Shares, the 4th Stage Shares and the 5th Stage Shares and the payment date of the 2nd Stage Cash and the 3rd Stage Cash shall be amended as follows:

- (i) the 2nd Stage Shares shall be issued in 2013 (as opposed to the first financial year after the Completion Date under the Acquisition Agreement) within 30 business days upon the fulfillment of the 2nd Stage CP and the 2nd Stage Cash shall be paid at the time of payments for acquisition of plant and machinery from the relevant supplier in 2013 (as opposed to the first financial year after the Completion Date under the Acquisition Agreement) after fulfillment of the 2nd Stage CP;
- (ii) the 3rd Stage Shares shall be issued in 2014 (as opposed to the second financial year after the Completion Date under the Acquisition Agreement) within 30 business days upon the fulfillment of the 3rd Stage CP and the 3rd Stage Cash shall be paid at the time of payments for acquisition of plant and machinery from the relevant supplier in 2014 (as opposed to the second financial year after the Completion Date under the Acquisition Agreement) after fulfillment of the 3rd Stage CP;

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- (iii) the 4th Stage Shares shall be issued in 2015 (as opposed to the third financial year after the Completion Date under the Acquisition Agreement) within 30 business days upon the fulfillment of the 4th Stage CP;
- (iv) the 5th Stage Shares shall be issued in 2017 (as opposed to the fifth financial year after the Completion Date under the Acquisition Agreement) within 30 business days upon the fulfillment of the 5th Stage CP; and
- (v) the Purchaser shall procure the Company to issue such 2nd Stage Remaining Shares, the 3rd Stage Shares and the 4th Stage Shares to the Vendor within 30 business days upon the fulfillment of the 2nd Stage CP, the 3rd Stage CP and the 4th Stage CP in 2013, 2014 and 2015 (as opposed to the first financial year, second financial year and third financial year after the financial year of Acquisition Completion) respectively.

It is a term under the Supplemental Acquisition Agreement that the adjustment of the Subsequent Fulfillment Dates as mentioned above shall only be effective after obtaining approval by the Shareholders. For this reason, the Board proposes to convene the SGM to seek Shareholders' approval on the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement as mentioned above.

Save as mentioned in this section, there are no other major changes to the Acquisition Agreement.

The Board is of the view that the terms of the Supplemental Acquisition Agreement are entered on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

UPDATE ON TARGET GROUP AFTER THE DESPATCH OF THE ACQUISITION CIRCULAR

Due diligence review on the Target Group

During the period after the release of the Acquisition Circular, the Target Group has obtained certain approvals and assessments as follows:

- (i) The sum of approximately RMB27,600,000, being the balance of the consideration for the transfer of the entire equity interest in Lithium Zhuhai from the Original Owners to Lithium HK has yet to be paid and of which approximately RMB20,400,000 is expected to be paid by proceeds from the loan facility of HK\$25,000,000 (equivalent to approximately RMB20,400,000) granted by the Purchaser to Lau Yung pursuant to a loan agreement dated 23 May 2011 between the Purchaser and Lau Yung. The remaining balance of approximately RMB7,200,000 shall be payable by the Vendor which is expected to be settled by the Vendor by 30 November 2011.

LETTER FROM THE BOARD

- (ii) Lithium Power Motor and Lithium Jilin have obtained the project filing in July 2011 and May 2011 respectively. Lithium Power Motor has amended its scope of business under the business license in July 2011 to include research and development, production and sales of lithium-ion batteries and batteries lease business while Lithium Jilin has renewed its business scope to include production and sales of lithium-ion batteries, power motor and batteries management system in June 2011.
- (iii) Lithium Power Motor and Lithium Jilin have obtained the approval on the environmental impact assessment report (“EIA”) in July 2011 and June 2011 respectively. Lithium Power Motor has also obtained the provisional permit for pollutant discharge in July 2011. It is in the course of applying the permit for sewage discharge. In view of the relocation of plant as mentioned below, Lithium Jilin will reapply for the approval on EIA after completion of the construction of new plant. It will apply for provisional permit for pollutant discharge and sewage disposal upon obtaining such approval.

Production Facilities

Following the expiry of the occupancy of the production plant occupied by Lithium Jilin on 14 July 2011, Lithium Jilin has relocated to another site located in Changchun High-tech Development Zone with approximately 2,690 square meters. The lease is for a period of 3 years commencing from 1 September 2011 to 1 September 2014 at an annual rental of RMB888,000, and Lithium Jilin has an option to renew the existing lease upon expiry.

Marketing

In addition to Guangzhou, Shenzhen, Hainan, Dalian, Shandong, Chongqing, Chengdu and Hong Kong markets, the Target Group plans to penetrate into different markets including Sanya and Ningxia. The Target Group has entered into a memorandum of understanding with a corporation in Ningxia engaging in the business of automatic instruments and wind energy, to establish a joint venture which will be engaged in rechargeable batteries, research and development of rechargeable batteries technology and provide relevant maintenance service. The Target Group has also entered into a framework agreement with a corporation in Sanya which is authorized by Sanya Government to use electric buses within the city, pursuant to which, the Target Group would sell electric buses to the said corporation.

Research and Development

The Target Group has applied for the registration of certain patents for invention relating to the lithium-ion batteries of the Target Group.

Expertise

In addition to the existing team of experts and consultants, the Target Group has recruited Dr. Han Yingduo (“Dr. Han”) and Dr. Li Yunfeng (“Dr. Li”) to strengthen its team of experts. The brief biographies of Dr. Han and Dr. Li, which are based on the information provided by the Vendor, are set out below.

LETTER FROM THE BOARD

Dr. Han Yingduo

Dr. Han obtained his bachelor degree and master degree in Tsinghua University, majoring in Electrical Engineering. He obtained his doctorate degree in Engineering Science from University of Erlangen-Nuremberg, Germany. Dr. Han worked in Tsinghua University Electrical Engineering Department as director and deputy director from 1986 to 1995. Since 1990, he has been a director of Power Electronics Research Center in Tsinghua University. Dr. Han has extensive experience in power system and automation. Dr. Han was awarded two second-class prizes and a third-class prize of the National Science and Technology Advancement Award, a fourth-class prize of National Invention Award and National Outstanding Teaching Achievement Award. Dr. Han was appointed the chairman of the experts committee of the Target Group since September 2011.

Dr. Li Yun Feng

Dr. Li obtained his bachelor degree in Tsinghua University and his master degree in Chinese Academy of Science Dalian Chemical Physics Research Institute, majoring in Chemical Engineering. He obtained his doctorate degree in Materials Chemistry and Electrochemistry in Auburn University. Since 2010, Dr. Li has a post-doctoral position in Department of Chemical Engineering in Lamar University, Beaumont, Texas. Dr. Li has experience in the research of characterization of electrochemical materials, conductive polymers and polyolefins and their composites product and teaching in general chemistry. Dr. Li has been a member of American Electrochemical Society since 2008, a member of American Association of Materials Research since 2009 and a member of American Chemical Association since 2011. Dr. Li has won the second place of Poster in International Polyolefins Conference, Hughes, Texas. Dr. Li was appointed the chief expert of the experts committee of the Target Group since August 2011.

Save as mentioned in this section, there are no other major changes of the situation of the Target Group after the dispatch of the Acquisition Circular.

EXTENSION OF THE LONG STOP DATES IN RELATION TO THE SHARE PLACING AGREEMENTS AND THE CN PLACING AGREEMENT

Under the respective Share Placing Agreements and the CN Placing Agreement, if the conditions therein are not fulfilled or waived (as the case may be) on or before 30 September 2011, each such agreement shall terminate and neither the Company nor the respective Share Placing Agents nor CN Placing Agent shall have any claim against the other (save for any prior breaches of the relevant Share Placing Agreements and the CN Placing Agreement).

As disclosed above, in view of the volatility of the Hong Kong stock market recently, on 30 September 2011, the Company and the respective Share Placing Agents and the CN Placing Agent entered into respective side letters as supplemental and amendment to the respective Share Placing Agreements and the CN Placing Agreement, pursuant to which the respective long stop dates for fulfillment or waiver (as the case may be) of the conditions precedent of the respective Share Placing Agreements and the CN Placing Agreements would be extended to 31 March 2012 (“Placing Long Stop Date”).

LETTER FROM THE BOARD

Save as mentioned in this section, there are no other major changes to the Share Placing Agreements and the CN Placing Agreement.

The Board is of the view that the change in the Placing Long Stop Date is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REFRESHMENT OF SPECIFIC MANDATES

The Specific Mandates granted by the Shareholders at the special general meeting of the Company on 21 June 2011 to issue shares and convertible notes of the Company for the Share Placings and the CN Placing have expired on 29 September 2011. The Board proposes to convene the SGM to seek Shareholders' approval to refresh the Specific Mandates.

Details of the refreshment of the Specific Mandates

(a) Refreshment of the Kingston Placing Specific Mandate

The Board proposed to seek Shareholder's approval to refresh the Kingston Placing Specific Mandate and that the Directors are generally and specifically authorised to allot and issue such number of new Shares as may be required to be allotted and issued on and subject to the terms and conditions of the Kingston Placing Agreement (as supplemented and amended by a side letter made between the Company and Kingston on 30 September 2011) on a best effort basis, of up to a maximum of 2,941,000,000 new Shares at a placing price of HK\$0.17 per Share.

(b) Refreshment of the GDS Placing Specific Mandate

The Board proposed to seek Shareholder's approval to refresh the GDS Placing Specific Mandate and that the Directors are generally and specifically authorised to allot and issue such number of new Shares as may be required to be allotted and issued on and subject to the terms and conditions of the GDS Placing Agreement (as supplemented and amended by a side letter made between the Company and GDS on 30 September 2011) on a best effort basis, of up to a maximum of 5,882,000,000 new Shares at a placing price of HK\$0.17 per Share.

(c) Refreshment of the CN Placing Specific Mandate

The Board proposed to seek Shareholder's approval to refresh the CN Placing Specific Mandate and that the Directors are generally and specifically authorised to allot and issue such number of new Shares as may be required to be allotted and issued on and subject to the terms and conditions of the CN Placing Agreement (as supplemented and amended by a side letter made between the Company and Kingston on 30 September 2011) on a best effort basis, pursuant to the Convertible Notes in the maximum aggregate principal sum of HK\$500,000,000 due on the date falling upon the Maturity Date at a conversion price, subject to adjustment, of HK\$0.17 per Share.

The Specific Mandates shall lapse on 31 March 2012.

LETTER FROM THE BOARD

SGM

A notice convening the SGM is set out on pages 17 to 21 of this circular. The SGM will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 10 November 2011 at 11:00 a.m. or any adjournment(s) thereof, for the purpose of considering and, if thought fit, approving, by way of poll, among other things, the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement and the refreshment of the Specific Mandates. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has an interest in the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement and the refreshment of the Specific Mandates and accordingly no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you propose to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment should you so wish and in such event, the proxy shall be deemed to be revoked.

RESPONSIBILITY STATEMENT

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

RECOMMENDATION

The Board considers that each of the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement and the refreshment of the Specific Mandates is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the SGM.

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

NOTICE OF SPECIAL GENERAL MEETING



CHINA NEW ENERGY POWER GROUP LIMITED

中國新能源動力集團有限公司

(formerly known as Fulbond Holdings Limited)

(Incorporated in Bermuda with limited liability)

(Stock Code: 1041)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of China New Energy Power Group Limited (the “**Company**”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 10 November 2011 at 11:00 a.m. or any adjournment(s) thereof, for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the adjustment of the Subsequent Fulfillment Dates (as defined below) under the supplemental acquisition agreement dated 30 September 2011 (“**Supplemental Agreement**”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) as supplemental and amendment to the acquisition agreement dated 13 January 2011 (as supplemented and amended by a supplemental agreement dated 23 May 2011) (“**Acquisition Agreement**”, a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification), all entered into among Hefu Limited, Mr. Yeung Tsoi San, Mr. Lau Yung, Mr. Fei Phillip and Fulbond Investments Limited, a wholly-owned subsidiary of the Company, and more particularly described in the circular of the Company dated 24 October 2011 (“**Circular**”), be and is hereby approved, ratified and confirmed;

for the purposes of this resolution:

“**Subsequent Fulfillment Dates**” means including, the Profit Target Fulfillment Dates, the Subsequent CP Fulfillment Dates and the Subsequent Payment Dates, and more particularly described in the Circular;

“**Profit Target Fulfillment Dates**” means the respective dates to achieve the audited consolidated net profit of Lithium Energy Group Ltd. and its subsidiaries under the Acquisition Agreement;

NOTICE OF SPECIAL GENERAL MEETING

“**Subsequent CP Fulfillment Dates**” means the respective dates to fulfill the subsequent conditions precedent under the Acquisition Agreement;

“**Subsequent Payment Dates**” means the respective dates for the payment of the subsequent tranches of the consideration under the Acquisition Agreement; and

- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary, desirable or expedient for the purposes of or in relation to implementing, completing and giving effect to the adjustment of the Subsequent Fulfillment Dates, the Supplemental Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Supplemental Agreement as he/she may in his/her absolute discretion consider necessary or desirable.”

2. “**THAT**

- (a) the refreshment of the specific mandate for the Kingston Placing Shares (as defined below) (“**Refreshed Kingston Placing Specific Mandate**”) granted by the shareholders of the Company at the special general meeting of the Company on 21 June 2011 and the directors of the Company (“**Director(s)**”) are generally and specifically authorised to allot and issue such number of new ordinary shares of US\$0.001 each in the capital of the Company as may be required to be allotted and issued (“**Kingston Placing Shares**”) on and subject to the terms and conditions of the conditional placing agreement dated 13 January 2011 entered into between the Company as issuer and Kingston Securities Limited (“**Kingston**”) as placing agent (as supplemented and amended by side letters made between the Company and Kingston on 1 February 2011, 23 May 2011 and 30 September 2011) (“**Kingston Placing Agreement**”) on a best effort basis, of up to a maximum of 2,941,000,000 new shares of US\$0.001 each in the share capital of the Company at a placing price of HK\$0.17 per share, which such Refreshed Kingston Placing Specific Mandate shall lapse on 31 March 2012, be and are hereby approved;
- (b) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of the Refreshed Kingston Placing Specific Mandate and the transactions contemplated thereunder; and
- (c) in the event that completion of the Kingston Placing Agreement has not taken place on or before 31 March 2012 (“**Kingston Placing Expiry Date**”), the authorisation and approval granted under this resolution shall be revoked and

NOTICE OF SPECIAL GENERAL MEETING

shall expire on the Kingston Placing Expiry Date provided that nothing shall affect the Kingston Placing Agreement, the Refreshed Kingston Placing Specific Mandate and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Kingston Placing Shares) in the event that any partial completion of the Kingston Placing Agreement has taken place before the Kingston Placing Expiry Date, and the authorisation and approval granted under this resolution in respect thereof shall remain valid and shall be in full force and effect in all respects accordingly.”

3. **“THAT**

- (a) the refreshment of the specific mandate for the GDS Placing Shares (as defined below) (**“Refreshed GDS Placing Specific Mandate”**) granted by the shareholders of the Company at the special general meeting of the Company on 21 June 2011 and the directors of the Company (**“Director(s)”**) are generally and specifically authorised to allot and issue such number of new ordinary shares of US\$0.001 each in the capital of the Company as may be required to be allotted and issued (**“GDS Placing Shares”**) on and subject to the terms and conditions of the conditional placing agreement dated 13 January 2011 entered into between the Company as issuer and Guangdong Securities Limited (**“GDS”**) as placing agent (as supplemented and amended by side letters made between the Company and GDS on 1 February 2011, 23 May 2011 and 30 September 2011) (**“GDS Placing Agreement”**) on a best effort basis, of up to a maximum of 5,882,000,000 new shares of US\$0.001 each in the share capital of the Company at a placing price of HK\$0.17 per share, which such Refreshed GDS Placing Specific Mandate shall lapse on 31 March 2012, be and are hereby approved;
- (b) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of the Refreshed GDS Placing Specific Mandate and the transactions contemplated thereunder; and
- (c) in the event that completion of the GDS Placing Agreement has not taken place on or before 31 March 2012 (**“GDS Placing Expiry Date”**), the authorisation and approval granted under this resolution shall be revoked and shall expire on the GDS Placing Expiry Date provided that nothing shall affect the GDS Placing Agreement, the Refreshed GDS Placing Specific Mandate and the transactions contemplated thereunder (including but not limited to the allotment and issue of the GDS Placing Shares) in the event that any partial completion of the GDS Placing Agreement has taken place before the GDS Placing Expiry Date, and the authorisation and approval granted under this resolution in respect thereof shall remain valid and shall be in full force and effect in all respects accordingly.”

NOTICE OF SPECIAL GENERAL MEETING

4. “**THAT**

- (a) the refreshment of the specific mandate for the Conversion Shares (as defined below) (“**Refreshed CN Placing Specific Mandate**”) granted by the shareholders of the Company at the special general meeting of the Company on 21 June 2011 and the directors of the Company (“**Director(s)**”) are generally and specifically authorised to allot and issue such number of new ordinary shares of US\$0.001 each in the capital of the Company as may be required to be allotted and issued (“**Conversion Shares**”) on and subject to the terms and conditions of the conditional placing agreement dated 13 January 2011 entered into between the Company as issuer and Kingston Securities Limited (“**Kingston**”) as placing agent (as supplemented and amended by side letters made between the Company and Kingston on 1 February 2011, 23 May 2011 and 30 September 2011) (“**CN Placing Agreement**”) on a best effort basis, pursuant to the non-interest bearing convertible redeemable notes (“**Convertible Notes**”) in the maximum aggregate principal sum of HK\$500,000,000 due on its maturity date at a conversion price, subject to adjustment, of HK\$0.17 per share, which such Refreshed CN Placing Specific Mandate shall lapse on 31 March 2012, be and are hereby approved;
- (b) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of the Refreshed CN Placing Specific Mandate and the transactions contemplated thereunder; and
- (c) in the event that completion of the issue of the Convertible Notes has not taken place in full on or before 31 March 2012 (“**CN Placing Expiry Date**”), the authorisation and approval granted under this resolution shall be revoked and shall expire by the end of the CN Placing Expiry Date provided that nothing shall affect the CN Placing Agreement, the Refreshed CN Placing Specific Mandate and the transactions contemplated thereunder that has taken place on or before the CN Placing Expiry Date (including but not limited to the issue of the Convertible Notes under partial completion) and the transactions contemplated to take place after the CN Placing Expiry Date as a result thereof (including but not limited to the allotment and issue of the new shares as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes in issue on the CN Placing Expiry Date), and the authorisation and approval granted under this resolution in respect thereof shall remain valid and shall be in full force and effect in all respects accordingly.”

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

Hong Kong, 24 October 2011

NOTICE OF SPECIAL GENERAL MEETING

*Head office and principal place of
business in Hong Kong:*

Unit 2807, 28/F
The Center
99 Queen's Road Central
Central
Hong Kong

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Notes:

1. A member of the Company entitled to attend and vote at the SGM convened by the notice of SGM is entitled to appoint one proxy, or if he is holder of more than one Share, more proxies to attend and, on a poll, vote instead of him at the SGM. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment(s) thereof.
3. In the case of joint holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, then one of the said persons so present whose name stands first on the register in respect of such Share shall alone be entitled to vote in respect thereof.
4. Completion and return of this accompanying form of proxy will not preclude you from attending and voting at the SGM in person should you so wish and in such event, the proxy shall be deemed to be revoked.

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