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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 or transferee.

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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 AMENDMENTS TO THE BYE-LAWS
OF THE COMPANY;
(3) PROPOSED PLACING OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE;
(4) RE-ELECTION OF DIRECTOR;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

Placing agent



KINGSTON SECURITIES LTD

A letter from the Board is set out on pages 7 to 23 of this circular.

A notice convening a special general meeting of China New Energy Power Group Limited (the “Company”) to be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 11 October 2012 at 11:00 a.m. or any adjournment thereof is set out on pages 24 to 27 of this circular. A proxy form for use in 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.

Hong Kong, 18 September 2012

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement of the Company dated 17 August 2012 in respect of, inter alia, the Capital Reorganisation, the Placing and the proposed amendments to the Bye-Laws
“associates”	has the meaning ascribed thereto under the Listing Rules
“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 circular, 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
“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

DEFINITIONS

“Consolidated Share(s)”	ordinary share(s) 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 an 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 PRC
“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 the Announcement)
“Latest Practicable Date”	12 September 2012, 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

DEFINITIONS

“Long Stop Date”	the day 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 fully-underwritten basis
“Placing Agent”	Kingston Securities Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activity
“Placing Agreement”	the conditional placing agreement dated 16 August 2012 entered into between the Company and the Placing Agent (as supplemented and amended by the Supplemental Agreement) in relation to the Placing
“PRC”	the People’s Republic of China
“Previous Convertible Notes”	the 3 years convertible notes 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 Latest Practicable Date
“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)

DEFINITIONS

“SGM”	a special general meeting of the Company to be held to consider the Capital Reorganisation, the proposed amendments to Bye-Laws, the Placing Agreement and the transactions contemplated therein and the re-election of Director
“Share(s)”	the ordinary shares of US\$0.001 each in the 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
“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 Premium Reduction”	cancellation of the entire amount standing to the credit of the share premium account of the Company as at 30 June 2012
“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
“Supplemental Agreement”	the supplemental agreement dated 27 August 2012 entered into between the Company and the Placing Agent to supplement the Placing Agreement
“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

EXPECTED TIMETABLE

EXPECTED TIMETABLE

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

2012

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

EXPECTED TIMETABLE

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) closes 4:00 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 certificates Tuesday, 20 November

All times and dates in this circular 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Ip Cheng Kuong (*Chairman*)
Ms. Catherine Chen (*Managing Director*)
Mr. Chiu Kong
Mr. Yeung Kwok Yu
Mr. Kwan Kam Hung, Jimmy
Mr. Wah Wang Kei, Jackie
Mr. Chen Guang Lin

Non-Executive Director:

Mr. Wu Zhuo Tong

Independent Non-Executive Directors:

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

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

18 September 2012

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED AMENDMENTS TO THE BYE-LAWS
OF THE COMPANY;
(3) PROPOSED PLACING OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE;
(4) RE-ELECTION OF DIRECTOR;
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

As announced in the Announcement, the Company proposed to conduct, inter alia, (i) Capital Reorganisation; (ii) placing of Convertible Notes under specific mandate; and (iii) amendments to the Bye-Laws of the Company. On 27 August 2012, the Company further

LETTER FROM THE BOARD

announced that, in order to enable the Company to proceed the Placing with more certainty in raising the intended amount of funding, the Company and the Placing Agent have entered into the Supplemental Agreement to amend certain terms of the Placing Agreement and to proceed the Placing on a fully-underwritten basis.

Reference is also made to an announcement of the Company dated 28 May 2012 in relation to the appointment of Mr. Wu Zhuo Tong (“**Mr. Wu**”) as a non-executive Director with effect from 28 May 2012.

The purpose of this circular is to provide you with, among others, further details of the Capital Reorganisation, the proposed amendments to the Bye-Laws, the Placing Agreement and the transaction contemplated thereunder and the re-election of Mr. Wu, together with a notice of the SGM.

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 share capital of the Company be consolidated into one (1) Consolidated Share of par value of US\$0.004;
- (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 Latest Practicable Date, 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 Latest Practicable Date, 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 has appointed Kingston Securities Limited to stand in the market to provide matching services for the odd lots

LETTER FROM THE BOARD

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). Shareholders who wish to buy or sell their holdings of odd lots of Reorganised Shares may contact Ms. Rosita Kiu of Kingston Securities Limited located at Suite 2801, 28/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, at telephone number (852) 2298 6215 or by fax at (852) 2298 0682 during normal office hours during this period, for the purchase or disposal of odd lots holdings. Shareholders should note that the matching of the sale and purchase of odd lots of the Reorganised Shares is not guaranteed. Shareholders are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser if they are in doubt about the facility described above. The expected timetable for the implementation of the Capital Reorganisation is set out in the section headed "Expected timetable".

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 resolution 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

LETTER FROM THE BOARD

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 (Note)	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 Latest Practicable Date 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.

None of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchanges.

LETTER FROM THE BOARD

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 Latest Practicable Date, 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, 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.

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.

In view of the above, it is proposed that the Bye-Laws be amended by deleting the existing Bye-Law 92 in its entirety and substituting therefor the following new Bye-Law 92:

- “92. Any Director may at any time by Notice in writing delivered to the office or at a meeting of the Directors appoint any person (including another Director) to be his alternate Director. Such appointment, unless previously approved by the Directors,

LETTER FROM THE BOARD

shall have effect only upon and subject to being so approved. Any person so appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present. An alternate Director may be removed at any time by the person or body which appointed him and, subject thereto, the office of alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. Any removal of an alternate Director shall be effected by Notice signed by the appointor and delivered to the Office or head office or tendered at a meeting of the Board. An alternate Director may also be a Director in his own right and may act as alternate to more than one Director. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Bye-laws shall apply as if he were a Director save that as an alternate for more than one Director his voting rights shall be cumulative.”

Such amendments are subject to approval of the Shareholders by way of passing of a special resolution to be proposed at the SGM.

PLACING OF CONVERTIBLE NOTES

Date of Placing Agreement

After morning trading session on 16 August 2012 (as supplemented and amended by the Supplemental Agreement)

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 fully-underwritten basis, the Convertible Notes which are proposed to be issued in an aggregate principal amount of HK\$120,000,000 in a maximum of four (4) tranches. The Placing Agent will receive a placing commission of 2% of the amount equal to the aggregate principal amount of the Convertible Notes, 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.

LETTER FROM THE BOARD

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, on a fully-underwritten basis, undertakes with the Company that it shall procure and shall procure sub-placing agents to procure independent Placees to subscribe, or failing which, itself 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.

LETTER FROM THE BOARD

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,

LETTER FROM THE BOARD

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 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, as the case may be). 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

An 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

LETTER FROM THE BOARD

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;
- (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;
- (d) a discount of approximately 37.5% to the adjusted closing price of approximately HK\$0.192 per Reorganised Share, based on the closing price of HK\$0.048 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation; and
- (e) a premium of approximately 3,328.57% to the adjusted net asset value per Reorganised Share of approximately HK\$0.0035 based on the audited net asset value of HK\$6,669,000 as at 31 December 2011 and the total number of Existing Shares of 7,624,293,000 Shares (equivalent to 1,906,073,250 Reorganised Shares as adjusted for the effect of the Capital Reorganisation) in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

The conversion price of HK\$0.12 per Reorganised Share is determined after arm's length negotiations between the Placing Agent and the Company. In view of the continued weak market sentiment, the Board considers that the non-interest bearing Convertible Notes will not be attractive without a considerable discount of the conversion price to the current market price. Even though the conversion price of the Convertible Notes represents a relatively deep discount to the current market price, it represents a tremendous premium of approximately 3,328.57% to the adjusted net asset value per Reorganised Share. The Board, after arm's length negotiations with the Placing Agent, considers that the conversion price of HK\$0.12 is reasonable. In addition, as detailed in the section headed "REASONS FOR AND BENEFITS OF THE PLACING AND USE OF PROCEEDS" on pages 18 to 19 of this circular, having considered that the issue of Convertible Notes will not result in immediate dilution while allowing the Company to access to immediate funding, the Board is of the view that the conversion price is fair and reasonable.

Conversion

Each Noteholder 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 Latest Practicable Date) 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.

LETTER FROM THE BOARD

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 written 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 ratably 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 BENEFITS OF THE PLACING AND USE OF PROCEEDS

The gross proceeds and the net proceeds from the Placing will be approximately HK\$120 million and HK\$117.6 million respectively and accordingly, the net conversion price of each Conversion Share will be approximately HK\$0.1176. The Board intends to use (i) up to HK\$90 million of the net proceeds from the Placing to redeem the Previous Convertible Notes with an

LETTER FROM THE BOARD

outstanding principal amount of HK\$90 million as at the Latest Practicable Date, 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\$27.6 million of the net proceeds will be used to strengthen the cash position of the Company and/or to provide funding for the business operations and development of the Company.

The Company has considered alternative fund raising methods such as debt financing from financial institutions. However, given that the Company just turned around from a loss-making position in the year 2011, financial position of the Company might not be appealing to financial institutions, and hence the loan interest rates quoted from banks are high.

The Company has also considered equity fund raising such as open offer or rights issue. However, under the current volatile market condition, the Directors have encountered difficulties in engaging underwriters or placing agents for equity fund raising exercises.

As such, 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 Noteholders do not convert the Convertible Notes immediately after the completion of the Placing. In addition, the Placing gives an opportunity to the Company to broaden its Shareholder and capital base and strengthen the cash position of the Company.

Having adjusted for the capital reorganization as described in the circular of the Company dated 25 May 2011, which, among other things, included the share consolidation of every 10 shares of the Company be consolidated into one consolidated share, the conversion price of the Previous Convertible Notes was adjusted from HK\$0.01 to HK\$0.1 per conversion share as mentioned in the announcement of the Company dated 22 June 2011. Should the Capital Reorganisation become effective and without taking into account of the conversion of the Convertible Notes, the conversion price of the Previous Convertible Notes is expected to be further adjusted from HK\$0.1 to HK\$0.4 per conversion share (subject to the confirmation and review by the independent professional adviser to be appointed by the Company).

As the estimated conversion price of HK\$0.4 of the Previous Convertible Notes as stated above is higher than the theoretical current market price of the Reorganised Shares upon completion of the Capital Reorganisation, the Board is of the view that it is unlikely that the noteholders will convert the Previous Convertible Notes into new Shares, but they would rather demand for repayment when it becomes due in December 2012. As such, the Company is required to have the necessary funding to repay the Previous Convertible Notes. As the Placing will be proceeded on a fully-underwritten basis, this gives more certainty for the intended amount of funding to be raised by the Company to satisfy, among other things, the repayment of the Previous Convertible Notes.

In view of the above, the Board considers that the Placing is fair and reasonable and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ABOUT THE GROUP

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

Reference is made to the circular of the Company dated 12 December 2011. As disclosed, the property development project in Xi'an City ("**Xian Project**") will be developed into residential and commercial areas in 5 phases and the phase 1 construction has commenced in late November 2011. Currently, phase 1 construction of the Xian Project is under progress in accordance with the current schedule and its major construction works have been commenced in the second quarter this year. It is expected that phase 1 construction will be completed in between 2013 and 2014.

The pre-sale of phase 1 of Xian Project is scheduled to commence in the first half of 2013 while completion of the sale and purchase of the phase 1 properties is expected to take place in 2014. The Board expects that the Company will generate operating cash inflow through the pre-sale of the residential properties developed in phase 1 of Xian Project in 2013. Following completion of the sale and purchase of the phase 1 properties in 2014, the Group will be able to record sales revenue resulting from the completion of phase 1 construction and the handing over of the phase 1 properties to the purchasers. The Xian Project will be financed by bank borrowings as well as future cash inflow through pre-sale of properties in different phases of the project itself.

As at 30 June 2012, the unaudited bank balances and cash and held-for-trading investment of the Company amounted to approximately HK\$6.8 million and HK\$30.9 million, respectively. Together with the remaining balance of net proceeds of approximately HK\$27.6 million arising from the Placing, the estimated cash and cash equivalents (including short-term securities) balances of the Company after the Placing will be amounted to approximately HK\$65.3 million. Since the Xian Project will be financed by bank borrowings as well as future cash inflow through pre-sale of properties in different phases of the project itself, the Board expects that the capital investment by the Company in the Xian Project will be insignificant. In view of recent volatile market conditions, the Company does not have any specific plan for the securities investment business while the Company utilised its surplus cash accumulated in the past years in securities as short-term investments in order to take advantage of its flexibility. As at 30 June 2012, the securities investment of the Company solely comprised investment in equity securities listed in Hong Kong.

In this regard, the Board considers that the Company will not have a pressing need to conduct further fund raising activities to satisfy its current funding needs unless the Company identifies any attractive investment and acquisition opportunities.

As at the Latest Practicable Date, the Company has not identified any potential acquisition or investment target nor entered into any agreement, arrangement, understanding or negotiation to dispose of or discontinue its existing business. The Company will keep on looking for attractive investment and acquisition opportunities in various sectors including the energy sector. Announcement will be made by the Company in accordance with the requirements under the Listing Rules should such opportunities arise.

LETTER FROM THE BOARD

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

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 Latest Practicable Date.

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 Latest Practicable Date		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
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	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:

- Mr. Ip Cheng Kuong is an executive Director and the chairman of the Company. He is deemed to be interested in those Shares held by Global Zone International Limited, a company in which he is interested in 51% of its share capital pursuant to Part XV of the SFO.
- 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 Rule 8.08 of the Listing Rules, immediately upon conversion.

LETTER FROM THE BOARD

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 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.

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).

As at the Latest Practicable Date, save for the outstanding Previous Convertible Notes, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

RE-ELECTION OF DIRECTOR

Mr. Wu has been appointed as a non-executive Director with effect from 28 May 2012. Pursuant to bye-law 86(2) of the Bye-Laws, Mr. Wu shall hold office only until the SGM and, being eligible, offer himself for re-election at the SGM.

Mr. Wu, aged 42, graduated from Hainan University in 1991, is currently a general manager of a company in Hong Kong. Mr. Wu has over 20 years of experience in administration and management.

Mr. Wu did not hold any directorship in other listed public companies in the past three years. Save as disclosed above, Mr. Wu did not hold any other position with the Company and other members of the Group.

Mr. Wu has no interest in the Shares within the meaning of Part XV of the SFO. He does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Wu has entered into a service contract with the Company on 28 May 2012 for a term of 2 years subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the Bye-Laws. Mr. Wu is entitled to director's remuneration of HK\$120,000 per annum, which was mutually agreed upon between the Board and Mr. Wu with reference to the prevailing market conditions, the duties and responsibilities of Mr. Wu in the Company.

LETTER FROM THE BOARD

Save as disclosed above, there are no other matters relating to his appointment that need to be brought to the attention of the Shareholders and there is no other information required to be disclosed pursuant to any of the requirements of rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

GENERAL

The Company will seek approval by the Shareholders on the Capital Reorganisation, the proposed amendments to the Bye-Laws, 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 re-election of Mr. Wu as a non-executive Director 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.

SGM

The SGM will be held at Plaza 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 11 October 2012 at 11:00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, approving, by way of poll, among other things, the Capital Reorganisation, the proposed amendments to the Bye-Laws, the Placing Agreement and the transactions contemplated thereunder and re-election of Mr. Wu as a non-executive Director.

The notice of the SGM is set out in pages 24 to 27 of this circular. A proxy form 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 not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors are of the view that the terms of the Capital Reorganization, the proposed amendments to the Bye-Laws, the Placing and the re-election of Mr. Wu as a non-executive Director are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend 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
Yeung Kwok Yu
Executive Director

NOTICE OF SPECIAL GENERAL MEETING



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)

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 4, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 11 October 2012 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 of the Company:

SPECIAL RESOLUTIONS

1. **“THAT** subject to Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Reorganised Shares (as defined below) and the compliance with the relevant procedures and requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Act 1981 of Bermuda (the “**Companies Act**”) to effect the Capital Reorganisation (as defined below), with effect from the business day (not being a Saturday) immediately following the date on which this resolution is passed:
 - (a) every four (4) existing shares of US\$0.001 each in the issued share capital of the Company be consolidated into one (1) consolidated share of par value of US\$0.004 (the “**Consolidated Share**”) (the “**Share Consolidation**”);
 - (b) subject to and forthwith upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share be reduced from US\$0.004 to US\$0.001 (the “**Reorganised Shares**”) by cancellation of US\$0.003 of the paid-up capital of each issued Consolidated Share (the “**Capital Reduction**”);
 - (c) the entire amount standing to the credit of the share premium account of the Company as at 30 June 2012 be reduced and cancelled (the “**Share Premium Reduction**”);
 - (d) the credit arising from the Capital Reduction and the Share Premium Reduction in the books of the Company be credited to the contributed surplus account of the Company and be used to reduce the accumulated losses of the Company as at 30 June 2012, the remaining balance (if any) be applied by the directors of the Company (the “**Directors**”) in accordance with the bye-laws of the Company as amended from time to time and the Companies Act; and

NOTICE OF SPECIAL GENERAL MEETING

- (e) the Directors be and are hereby authorised generally to take all necessary actions, to do all things and acts and sign all documents which they consider necessary, desirable, or expedient to implement and effect the Share Consolidation, the Capital Reduction and the Share Premium Reduction (collectively, the “**Capital Reorganisation**”).
2. “**THAT** the existing bye-laws of the Company be and are hereby amended by deleting the existing bye-law 92 in its entirety and substituting therefor the following new bye-law 92 of the Company:
- “92. Any Director may at any time by Notice in writing delivered to the office or at a meeting of the Directors appoint any person (including another Director) to be his alternate Director. Such appointment, unless previously approved by the Directors, shall have effect only upon and subject to being so approved. Any person so appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present. An alternate Director may be removed at any time by the person or body which appointed him and, subject thereto, the office of alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. Any removal of an alternate Director shall be effected by Notice signed by the appointor and delivered to the Office or head office or tendered at a meeting of the Board. An alternate Director may also be a Director in his own right and may act as alternate to more than one Director. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Bye-laws shall apply as if he were a Director save that as an alternate for more than one Director his voting rights shall be cumulative.””

ORDINARY RESOLUTIONS

3. “**THAT**
- (a) the creation and issue by the Company of non-interest bearing convertible redeemable notes (the “**Convertible Notes**”) in the aggregate principal sum of HK\$120,000,000 due on the date falling upon the expiry of three years from the date on which the Convertible Notes are first issued, convertible into new shares in the capital of the Company on and subject to the terms and conditions (“**Conditions**”) contained in the placing agreement dated 16 August 2012 (as supplemented and amended by a supplemental agreement made between the Company and the placing agent on 27 August 2012) (“**Placing Agreement**”) (a

NOTICE OF SPECIAL GENERAL MEETING

copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) between the Company and the placing agent, Kingston Securities Limited (as may be amended from time to time) in respect of, inter alia, the placing of the Convertible Notes be and is hereby generally and unconditionally approved in all respects;

- (b) the Placing Agreement and all the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby generally and unconditionally approved, ratified and confirmed in all respects and the directors of the Company be and are hereby generally and specifically authorized to issue the Convertible Notes on and subject to the terms of the Placing Agreement (as may be amended from time to time) and the Conditions;
- (c) the directors of the Company be and are hereby generally and specifically authorized to issue the Convertible Notes approved to be issued under paragraph (a) of this resolution in the aggregate principal sum of HK\$120,000,000 and to allot and issue such number of new shares (“**Specific Mandate**”) as may be required to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes on and subject to the terms and conditions of the Placing Agreement (as may be amended from time to time) and the Conditions. The Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the directors of the Company by the shareholders of the Company at the annual general meeting of the Company held on 25 May 2012 or such other general or specific mandate(s) that may have been granted to the directors of the Company prior to the passing of this resolution;
- (d) any one director of the Company be and is hereby authorized to sign, seal, execute, perfect, deliver all such documents and to do all such things and acts as he may in his discretion consider necessary, expedient or desirable to effect (i) the transactions contemplated under the Placing Agreement (as may be amended from time to time) and the issue of the Convertible Notes and/or (ii) the amendment, variation or modification of the Placing Agreement (as may be amended from time to time) (including any amendment, variation or modification of the Conditions) upon such terms and conditions as the board of directors of the Company may think fit; and
- (e) in the event that completion of the issue of the Convertible Notes has not taken place in full by a date falling on the expiry of 4 calendar months after the passing of this resolution (the “**Expiry Date**”), the authorization and approval granted under this resolution shall be revoked and shall expire by the end of the Expiry Date provided that nothing shall affect the Placing Agreement, the Specific Mandate and the transactions contemplated thereunder that has taken place on or before the Expiry Date (including but not limited to the issue of the Convertible Notes under partial completion) and the transactions contemplated

NOTICE OF SPECIAL GENERAL MEETING

to take place after the 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 Expiry Date), and the authorization and approval granted under this resolution in respect thereof shall remain valid and shall be in full force and effect in all respects accordingly.”

4. To re-elect Mr. Wu Zhuo Tong as director of the Company.

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

Hong Kong, 18 September 2012

*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 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 notarially 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 thereof.
3. In the case of joint holders of any share of the Company, 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.

As at the date of this notice, 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; 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.