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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 PLACING AGREEMENTS

Entering into of the Supplemental Acquisition Agreement

It is one of the Conditions Precedent under the Acquisition that due and proper 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 have to take place before completion. Due to the current volatile market sentiment, such Conditions Precedent has yet to be fulfilled. Accordingly, the Vendor, Vendor's Guarantors and the Purchaser entered into the Supplemental Acquisition Agreement on 30 September 2011, pursuant to which, among other things, (i) the Long Stop Date for the fulfillment of the Conditions Precedent and (ii) the Subsequent Fulfillment Dates (i.e. the dates for the fulfillment of the various Profit Targets and the subsequent conditions precedent together with the payment dates for the subsequent tranches of the Consideration) are to be extended or adjusted accordingly as a result of such delay in completion timetable. It is a term under the Supplemental Acquisition Agreement that the adjustment of the Subsequent Fulfillment Dates shall only be effective after obtaining approval by Shareholders. For this reason, the Board proposes to convene a special general meeting to seek Shareholders' approval on the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement as mentioned above.

Extension of the long stop dates in relation to the Share Placing Agreements and the CN Placing Agreement

On 30 September 2011, the Company and the respective Placing Agents also agreed to extend the long stop dates for fulfillment or waiver of the conditions precedent of the Placing Agreements, respectively, to 31 March 2012.

Extension of validity of specific mandate

The specific mandates granted by the Shareholders at the SGM 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 a special general meeting to seek Shareholders' approval to extend the period of validity of the specific mandates.

General

As mentioned above, the Board proposes to convene a special general meeting to seek Shareholders' approval on the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement and the extension of validity of specific mandates. A circular containing, among other things, further details of (i) the Supplemental Acquisition Agreement, (ii) the change of Placing Long Stop Date; (iii) the extension of validity of specific mandates, (iv) update on the Target Group after the despatch of the Circular; and (v) the notice of the special general meeting, will be despatched by the Company to the Shareholders on or before 24 October 2011.

Reference is made to the announcements of China New Energy Power Group Limited (the "Company") dated 2 February 2011 and 24 May 2011 and the circular of the Company dated 25 May 2011 (the "Circular") in relation to, inter alia, (i) the acquisition of the entire issued share capital of and assignment of the shareholder's loan in Lithium Energy Group Ltd., which constitutes a very substantial acquisition for the Company under the Listing Rules, (ii) placing of new shares under specific mandate and (iii) placing of convertible notes. Terms used herein shall have the same meanings as defined in the Circular unless defined otherwise.

SUPPLEMENTAL ACQUISITION AGREEMENT

As stated in the 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 current volatile market sentiment, such Conditions Precedent has yet to be fulfilled. Accordingly, on 30 September 2011, the Purchaser, the Vendor and the Vendor's Guarantors entered into a supplemental agreement to amend certain terms and conditions of the Acquisition Agreement ("Supplemental 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 various subsequent fulfillment dates ("Subsequent Fulfillment Dates") such as the dates for the fulfillment of the various Profit Targets ("Profit Target Fulfillment Dates"), the dates for the fulfillment of the subsequent conditions precedent ("Subsequent CP Fulfillment Dates") and the dates for the payment of the subsequent tranches of the Consideration ("Subsequent Payment 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);
- (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.

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 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 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.

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.

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;
- (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 Shareholders. For this reason, the Board proposes to convene a special general meeting to seek Shareholders' approval on the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement as mentioned above.

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 its Shareholders as a whole.

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

As disclosed above, in view of the current volatile market sentiment, on 30 September 2011, the Company and the respective Placing Agents agreed to extend the long stop dates for fulfillment or waiver of the conditions precedent of the Placing Agreements, respectively, to 31 March 2012 ("Placing Long Stop Date").

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 its Shareholders as a whole.

Extension of validity of specific mandates

The specific mandates granted by the Shareholders at the SGM 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 a special general meeting to seek Shareholders' approval to extend the period of validity of the specific mandates.

GENERAL

Save for the above, all other terms and conditions of the Acquisition Agreement and the Placing Agreements, respectively, shall remain unchanged.

As mentioned above, the Board proposes to convene a special general meeting to seek Shareholders' approval on the adjustment of the Subsequent Fulfillment Dates under the Supplemental Acquisition Agreement and the extension of validity of specific mandates. A circular containing, among other things, further details of (i) the Supplemental Acquisition Agreement, (ii) the change of Placing Long Stop Date; (iii) the extension of validity of specific mandates, (iv) update on the Target Group after the despatch of the Circular; and (v) the notice of the special general meeting, will be despatched by the Company to the Shareholders on or before 24 October 2011.

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

Hong Kong, 30 September 2011

As at the date of this announcement, 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.