



12 December 2011

China New Energy Limited
("CNE" or the "Company" or the "Group")

**PROPOSED ACQUISITION OF MAJORITY OF BENGBU BOLTECH
BIO-TECHNOLOGY CO., LTD**

Entry into niche business of supplying liquid active yeast directly to ethanol producers

China New Energy Limited (AIM: CNE), the engineering and technology solutions provider to the bioenergy sector, announces that it has signed a Letter of Intent with Guangzhou Zhongke Tianyuan Regeneration Resources Engineering Co. Ltd ("GZTY Regeneration Resources") to acquire 88.5% of the legal and beneficial interests of Bengbu Boltech Bio-technology Co., Ltd ("Boltech" or "Target Company"). Boltech produces and sells active yeast, which is specifically formulated for use in the process of ethanol production, as well as yeast extracts.

Highlights include:

- Subject to due diligence CNE will pay RMB 13 million for 88.5% of the legal and beneficial rights of Boltech
- The majority purchase is considered to be a Related Party Transaction and the consideration is to be satisfied with a mixture of cash and newly issued shares in CNE
- Boltech is involved in the production and sale of liquid active yeast, specifically formulated for use in the process of ethanol production
- Liquid active yeast will help ethanol producers provide a superior product at reduced costs
- Since beginning commercial production in July 2011, Boltech has secured annual supply contracts worth RMB 22.4 million; Boltech can help CNE generate recurring income with high margins
- CNE intends to build further active yeast production facilities adjacent to large scale ethanol production plants and supply fresh liquid active yeast directly to the production plants – becoming the first company of its kind in China

About Boltech

Boltech was incorporated in the People's Republic of China with a registered and paid up capital of RMB 10 million in 16 October 2009, as a joint venture between the Vendor and Shanghai Fangte Biological Engineering Co., to develop the business of producing and selling active yeast, specifically formulated for the ethanol production process, and yeast extracts. As at the date of the Letter of Intent ("LOI"), the Vendor has 88.5% of the legal and beneficial interests in Boltech. On a facility leased from COFCO Bio-chemical (Anhui) Limited Company ("COFCO"), Boltech has recently successfully completed construction of a production plant capable of producing 15,600 tons per year ("t/y") of liquid active yeast (equivalent to circa. 3,000 t/y of active dry yeast) and began commercial production in July 2011. Boltech intends to further invest and expand the scope of its existing plant to produce 2,000 tons of yeast extract annually which are commonly used as food additives and flavouring such as Monosodium glutamate (MSG).

Yeasts are essential to ethanol production and must be readily available to the fermentation process with consistent viability and vitality for optimal performance. Yeast used in commercial ethanol production can be in the form of dry active yeast or liquid active yeast. In China, commercial ethanol producers have generally used active dry yeast, purchased from yeast manufacturers, in the ethanol production process as it has the

necessary properties for being stored and can therefore be used as and when needed. However, liquid active yeast has superior qualities for the fermentation process. Boltech therefore intends to build specialised liquid active yeast production facilities adjacent to large scale commercial ethanol production facilities, in order to supply fresh liquid active yeast, with strict controls in place to administer quantities, direct to the fermentation process. The result is that, when compared to the existing method of using dry active yeast, Boltech can help ethanol producers achieve superior performance, improve efficiency and reduced costs. Boltech believes that its business model of supplying active liquid yeast directly to ethanol producers is the first of its kind in China.

Boltech has, since commercial production started, secured annual supply contracts worth RMB 22.4 million from customers, including RMB 15.6 million from COFCO, part of COFCO China. COFCO China is a leading grain, oils and foodstuffs import and export group in China and one of the country's largest food manufacturers. At present, COFCO China has an annual rated production capacity of circa 950,000 tons of ethanol. Boltech is currently negotiating active yeast annual supply agreements with Jilin Ethanol Industrial Company Limited ("JEIC"). JEIC currently has an annual ethanol production capacity of 600,000 tons and a 25 per cent. shareholding over a further 500,000 tons of annual biofuel grade ethanol capacity. JEIC is targeting to increase its own annual production of ethanol to 1,000,000 tons by 2013, thereby becoming the largest ethanol producer in Asia. As announced on 5 December 2012, CNE has entered into a strategic agreement with JEIC to form a joint venture to commercialise technology and engineering solutions in the field of bio-ethanol production. The acquisition of Boltech will further strengthen the relationship between JEIC and CNE.

Terms of the Proposed Transaction

Under the LOI, CNE and GZTY Regeneration Resources intend to enter into a sale and purchase agreement and such other agreements and documents as may be necessary ("Definitive Agreements") in relation to the proposed transaction within 60 days from the date of LOI. The aggregate purchase consideration for the Proposed Transaction shall be the sum of RMB 13 million (the "Purchase Consideration") and would be paid in cash or in newly issued shares of CNE, the ratio of which is to be negotiated and finalised in the Definitive Agreements.

The completion of the Definitive Agreements is subject to customary due diligence exercises and any other consents or approvals (other than those specifically mentioned) as may be necessary from any third party, governmental or regulatory body or relevant competent authority.

The transaction will be a Related Party Transaction as certain shareholders of GZTY Regeneration Resources jointly control 65.96% shareholding in CNE and the value of the transaction exceeds 5 per cent. of at least one of the Class Tests, as defined by the AIM Rules for Companies. A further announcement will be made in due course once the terms of the Definitive Agreement have been agreed.

Mr. Zhaoxing Tang, Chief Executive Officer of CNE, commented: "This strategic acquisition is part CNE's ambition to provide integrated solutions to the biofuel and biochemical industries. At present, the wide use of dry active yeast in China is limiting the efficiency and performance of Chinese ethanol producers, and therefore is not economically sound. Boltech's liquid active yeast can help our clients reduce costs and achieve superior results."

Mr. Weijun Yu, Executive Chairman of CNE, commented: "By leveraging our customer base in China and around the world, we believe that the Boltech business model can radically change the way Chinese commercial ethanol producers use and source their yeast material. More importantly, Boltech can help CNE generate recurring income with high margins. For example, a year's supply of liquid active yeast to an

ethanol producer with 100,000 t/y production capacity is estimated to generate annually circa. RMB 30 million in revenue.”

“Our objective is to make Boltech the leading yeast supplier to ethanol producers in China. Subject to funding, we intend to aggressively scale up this business and replicate its current success elsewhere in China and abroad.”

Further information is available on the Company’s website, www.chinaneenergy.co.uk, or by contacting:

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About China New Energy Limited

China New Energy Limited listed on the AIM Market of the London Stock Exchange in May 2011. CNE is a profitable and growing technology and engineering solutions provider, whose operations are based in China, for bioethanol and biobutanol projects.

Through its wholly owned subsidiary, Guangdong Zhongke Tianyuan New Energy Science and Technology Co. Ltd (“ZKTY”), CNE provides process technology, engineering designs, plant manufacturing and operational services in connection with the production of, inter alia, fuel ethanol, edible ethanol, biobutanol, bioacetic acid and other chemicals from agricultural plant materials and waste. CNE’s activities are principally based in the PRC, however, it also provides services to overseas customers in areas including Romania, Taiwan, Russia, Thailand and Indonesia. Since its formation, ZKTY has advised on 100 projects with an aggregate production capacity of approximately 9.0 million tons per year and a total contract value of approximately RMB1.7 billion (c. £170.0 million).

For the year ended 31 December 2010 CNE recorded turnover of RMB 138.4 million (c. £13.8 million) and profit before tax of RMB 23.7 million (c. £2.4 million).

ZKTY has proprietary and patented bioenergy technology, and maintains its own research and development laboratory to further develop its technology and patent portfolio. ZKTY has received international standards accreditations, including ISO 9001:2000, ISO 9001:2008 and CE marking for part of its equipment.