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China New Energy Limited
(“CNE” or the “Company” or the “Group”)

**JOINT VENTURE WITH JILIN ETHANOL INDUSTRIAL COMPANY
TO COMMERCIALISE BIO-ETHANOL PRODUCTION**

Series of significant contracts expected

China New Energy Limited (AIM: CNE), the engineering and technology solutions provider to the bioenergy sector, is pleased to announce that Guangdong Zhongke Tianyuan New Energy Science and Technology Co., Ltd (“ZKTY”), its wholly owned operating subsidiary, has entered a strategic agreement with Jilin Ethanol Industrial Company Limited (“JEIC”), and Jilin City Keda Applied Technology Development Limited (“JKDAT”) to form a joint venture company (“JV”), Jilin Tianyi Biochemical Development Company Limited (“Tianyi”) to exploit and commercialise technology and engineering solutions in the field of bio-ethanol production. ZKTY owns 34% of Tianyi while JEIC and JKDAT own 51% and 15% respectively.

JEIC was recently formed to amalgamate a number of inefficient state-owned ethanol producers in Jilin Province. JEIC currently has an annual corn processing capacity of 2,000,000 tons, annual ethanol production capacity of 600,000 tons and a 25% 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.

JKDAT is an industrial biotechnology company in the development and commercialisation of enzymatic bioprocess, or the production of sugar from starchy materials through the use of enzymes.

Under the agreement Tianyi will, through combining JKDAT’s strength in enzymatic bioprocess and ZKTY’s strength in fermentation and engineering, exploit its advanced technology to provide a superior feedstock treatment and fermentation process which will be used in the full scale commercial production at a JEIC facility in China. Based on the validation of the technology, Tianyi intends to scale up to exploit the technology in the rest of China and internationally.

Mr. Zhaoxing Tang, Chief Executive Officer of CNE, commented: “This strategic collaboration is only the first step in anchoring our relationship with JEIC as, over time, we expect to negotiate and secure additional and new contracts. We understand that JEIC has budgeted capital expenditure of not less than RMB280 million (£28.0 million) for 2012 and so ZKTY expects to secure significant new contracts next year to increase/modify JEIC production capacity and improve efficiency. In the medium term, we intend, by leveraging and expanding on our relationship with JEIC, to generate new and recurring revenue streams through the provision of high margin products and services in the areas of Energy Management Conservation, Yeast Formulation and Management and Waste Management.”

Mr. Weijun Yu, Executive Chairman of CNE, commented: “This collaboration agreement reflects CNE’s market leadership position in providing unique and integrated solutions to the bio-ethanol industry in China. JEIC is in an excellent position to participate in the strong growth that is expected from China’s ethanol industry. Its

current ethanol production capacity amounts to circa 10% of China's total and this share is expected to increase over the next two years making it the largest ethanol operator in China, if not the whole of Asia."

Mr. Yu added: " We are excited and confident that our unique business model and strong market position can be scaled up and replicated elsewhere in China and around the world."

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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.