

09 November 2011

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

Trading Update for ZKTY for the 9 month period ended 30 September 2011

China New Energy Limited (AIM: CNEL), the engineering and technology solutions provider to the bioenergy sector, announces a trading update and unaudited financial results for the nine months ended 30 September 2011 for its wholly owned operating subsidiary Guangdong Zhongke Tianyuan New Energy Science and Technology Co., Ltd (“ZKTY”).

HIGHLIGHTS

ZKTY Operational Highlights for Q3 2011

- Designated as the sole technology and engineering solution provider to the Jilin Ethanol Industry Company Ltd, expected to be the largest ethanol producer in Asia
- Signed a technology collaboration agreement with Green Biologics Limited in the field of biobutanol production using cellulosic biomass
- Significant progress in developing process technologies for producing bio-butanol from cellulosic materials
- Entered into strategic technology collaboration with Ji’nan University, PRC, to develop new yeast strains
- Created a new business unit to provide yeast management services
- Despite the flooding in Thailand, the Ubon Ratchathani Project is progressing well and is expected to be more than 50% complete by the year end

ZKTY Financial Highlights for 9 month period ended 30 September 2011

- Revenue up by 20% to RMB 101.7m (YTD 2010: RMB 84.9m)
- Gross profit down to RMB 21.5m (YTD 2010: RMB 24.1m)
- Selling, distribution and administrative expenses reduced to RMB 7.9m (YTD 2010 : RMB 8.4m)
- Research & development and other expenses up to RMB 1.5m (YTD 2010: RMB 0.6m)
- Profit before tax of RMB 15.5m (YTD 2010: RMB 15.7m)

ZKTY is the sole trading subsidiary of the Group. CNE, the investment holding company, has overheads of circa RMB 10m comprising charges for share based payments, interest and compliance and regulatory costs.

Mr. Weijun Yu, Executive Chairman of CNE, commented: “The board is confident that the Company is making strong progress whilst continuing to enhance its reputation for providing integrated solutions to the biofuel and biochemical industries both in China and internationally. Barring any unforeseen delays, our wholly owned operating subsidiary, ZKTY, remains on course to achieve profitable growth in 2011 and 2012.”

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**China New Energy Limited
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Trading Update for ZKTY for the 9 month period ended 30 September 2011

ZKTY Operational Review for Q3 2011

The board is pleased to present a review for the nine months ended 30 September 2011 for CNE's wholly owned operating subsidiary, ZKTY.

Technology and Engineering Agreement

ZKTY has been named as the sole party to provide technology and engineering solutions to the Jilin Ethanol Industrial Company Limited ("JEIC"). JEIC was recently formed to amalgamate a number of inefficient state-owned ethanol producers in Jilin Province in China into a group with an annual corn processing capacity of 2,000,000 tons, annual ethanol production capacity of 600,000 tons and management control over a further 500,000 tons of annual biofuel grade ethanol capacity. JEIC is targeting an increase in the annual production of ethanol to 1,000,000 tons by 2012, thereby becoming the largest ethanol producer in Asia.

The board believes this important development reflects the Company's market leadership in providing integrated solutions to the biofuel and biochemical industry in China. ZKTY is currently negotiating the structure and terms of this collaboration, which may include forming a JV company, for the provision of Energy Management Conservation ("EMC"), Yeast Formulation and Management, recovery and sale of by-products and waste treatment into biogases.

Progress in Developing Bio-butanol from Cellulosic Materials

During the period, ZKTY also achieved significant progress in developing process technologies for the production of bio-butanol using cellulosic materials (agricultural waste). The process essentially involves a pre-treatment process to reduce the different chemical components of cellulosic biomass using unique combinations of acid, steam and other specific catalysts (such as ionic liquids) followed by enzymatic digestion of cellulose and/or hemicelluloses. As a direct result of this innovation, ZKTY is now able to offer its clients process technologies to ferment raw feed stock materials using corn starch, instead of dry milled corn, which enables clients to efficiently capture all co-products and by-products such as Acetone, Butanol and Ethanol (commonly known as "ABE") and biogases to generate additional revenue streams.

Based on laboratory experiments, ZKTY's cost of producing bio-butanol from cellulosic material is approximately RMB 8,500 to RMB 9,000 per tonne against a market price of RMB 10,000 to RMB 11,000 per tonne.

Technology collaboration agreement with Green Biologics Limited

As previously announced, during this period the Company entered into a strategic collaboration agreement with UK based Green Biologics Limited ("GBL") to exploit jointly technology in the field of biobutanol production using cellulosic biomass. Under the agreement, CNE and GBL will exploit the advanced fermentation technology in existing bioenergy production facilities in China and other international markets. It is expected that the application of superior fermentation technology and the use of lower cost sustainable cellulosic feedstock will increase the commercial performance of many biobutanol production facilities. Both partners intend to validate the technology at in a full-scale commercial production facility in China. Based on the validation of the technology, both parties will discuss future collaboration for joint exploitation of the technologies.

Technology Collaboration and New Unit to Provide Yeast Management Services

During the period, ZKTY decided to create a new business unit to provide yeast formulation and management services. ZKTY has noted increasing demand for yeast formulation, format, handling and technical services across its ethanol producing client base. The directors believe that they can effectively leverage ZKTY's technical knowhow in plant design (especially in fermentation systems) and biochemistry expertise to address this demand. In order to maintain its first mover advantage in this market, ZKTY has entered into a technology collaboration agreement with Ji'nan University in the PRC, to use genetic engineering technology to modify the *Saccharomyces Cerevisiae* strains used in the ethanol fermentation process with the overall objective of improving ethanol yields. Under the agreement, ZKTY and Ji'nan University will share future revenues on a 70: 30 basis respectively, either in a form of patent sharing or technology transfer fees.

Financial Review of ZKTY for the 9 month period ended 30 September 2011

ZKTY has made strong progress and posted a 20 per cent increase in sales to RMB 101m (c.£9.9m) for the nine months ended 30 September 2011 reflecting both the increased volume and higher price of projects under management. Gross profit was lower however due to unusually high margin contracts delivered during the comparable period during the financial year to 31 December 2010.

ZKTY reduced selling and distribution and administrative expenses by 6 per cent demonstrating its continued focus on controlling and minimising business overheads. Investment in Research and Development increased to RMB 1.5m to ensure ZKTY remains at the forefront of innovation within its industry. After RMB 4.2m (c.£0.4m) of non-operating income as a result of the recovery of bad debts previously written off, profit before tax for the first nine months of 2011 was RMB 15.5m (c.£1.5m) compared to RMB 15.7m (c.£1.5m) for the corresponding period.

Citadel Bonds

As set out in the admission document, the Company had agreed to repay Citadel via a series of repayments totalling US\$ 3m plus interest by 8 October 2012. The Company has repaid circa US\$1.0m of circa US\$1.8m due on 8 Oct 2011. In addition, in consideration of our current year working capital requirement and projected cash-flow in 2012, we have successfully negotiated with Citadel a new repayment schedule. Therefore, we now agreed to pay Citadel US\$0.8m before the end of its current financial year with the balance of \$1.5m scheduled for repayment in three instalments ending on 8 October 2012. The Company believes that repayment of Citadel's bonds will free it from certain debt covenants that may be restrictive to its overall corporate development and also save the Company interest expenses.

Ubon Ratchathani Project

As described in its half yearly report for the 6 months to 30 June 2011, ZKTY has commenced a contract to sell products and services to the Ubon Bio-ethanol Company Limited, located in the Ubon Ratchathani province of Thailand. This project is for a cassava-based ethanol project which is estimated to produce up to 400,000 litres per day of edible ethanol or fuel ethanol. Total revenue for ZKTY is estimated to be RMB 77m (c.£7.5m). For the nine months ended 30 September 2011, approximately RMB 11m (c.£1.1m) in revenues have been recognised, contributing approximately RMB 4m (c.£0.4m) in gross profit to ZKTY. Despite the flooding in Thailand, the Company is pleased to report that this project is broadly on schedule and the contract is expected to be more than 50 per cent. complete by the year end. The board expects the Ubon project will contribute significantly to ZKTY's final results to 31 December 2011 with the remainder of the revenue being received in 2012

Outlook

The board is confident that the Company is making strong progress whilst continuing to enhance its reputation for providing integrated solutions to the biofuel and biochemical industries both in China and internationally. Barring any unforeseen delays, the wholly owned operating subsidiary, ZKTY, remains on course to achieve profitable growth in 2011 and 2012. Over the medium-term, ZKTY's joint venture with JEIC, once finalised during 2012, will also enable it to achieve significant growth potential through 2012 and beyond.

About China New Energy Limited

China New Energy Limited listed on London's AIM Market 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 88 projects with an aggregate production capacity of approximately 9.0 million tons per year and a total contract value of approximately RMB1.5 billion (c.£147.7m).

For the year ended 31 December 2010 CNE recorded turnover of RMB 138.4 million (c. £13.6 million) and Profit before tax of RMB 23.7 million (c. £2.3 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.