

4 February 2019

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

Entering of a Convertible Loan Agreement

The Board of CNE (AIM:CNEL), the AIM quoted engineering and technology solutions provider to the bioenergy sector, announces that it has entered into a binding convertible loan agreement (“the Agreement”) to raise a total of HKD11,500,000 (approximately £1,118,000) before expenses.

On 17 December 2018, the Company advised that it is evaluating whether a listing on another stock exchange may achieve a greater valuation of the Company and provide it with better access to capital. The Company has concluded that this may be achieved by way of a listing on a stock market in Asia and it has obtained a loan from Double River Limited (“the Lender”) for general corporate purposes. At this stage, upon successful admission to a stock market in Asia, it is considered that it may be beneficial for the Company to withdraw its securities from trading on AIM simultaneously with the new admission. It should be noted, however, that the Company is at an early stage in its considerations and there can be no certainty that an application will be made or, if made, that any application for a listing in Asia will be successful.

Terms of the Loan

Pursuant to the Agreement, Double River Limited, a company registered in the British Virgin Islands, has agreed to provide a loan for HKD11,500,000 (approximately £1,118,000) (the “Loan”). The Loan will be converted automatically into ordinary shares of the Company at a price of approximately HKD0.481 (approximately 4.7 pence) per share on the Company obtaining regulatory approval from the relevant authority for the new listing before the Maturity Date (as defined hereinbelow). The Loan has a term of 12 months from the date the Company receives the sum of the Loan from the Lender (the “Maturity Date”), and, in the event that the Loan is not converted, carries an interest at a rate of 12 per cent. per annum due on the Maturity Date. If the Loan is converted, no interest will be applied.

Under the terms of the Agreement, directors of the Company, Mr Yu Weijun and Mr Tang Zhaoxing, and a senior member of the Company’s management (a PDMR), Mr Jiang Xinchun, have given personal guarantees in favour of the Lender in the event of a default. Certain restrictions on the issue of new shares prior to the requisite regulatory approvals being obtained, or repayment of the Loan, have also been requested by the Lender.

The Agreement further contains terms in line with standard business practices.

The granting of the personal guarantees by Mr Yu Weijun and Mr Tang Zhaoxing are considered to be related party transactions pursuant to Rule 13 of the AIM Rules for Companies. With the exception of any director involved in the transaction, its directors consider, having consulted with the Company’s nominated adviser Cairn Financial Advisers

LLP, that the terms of the transactions are fair and reasonable insofar as its shareholders are concerned.

As at the date of this announcement, the entire issued share capital of the Company comprises 491,256,350 ordinary shares of 0.025 pence each which includes 46,808,809 ordinary shares held in treasury.

Mr Yu, Chairman, commented, “This is an important step in the continued growth of the Company and, if a rerating can be achieved on an overseas market, it will create significant value for all shareholders. It should further allow the Company better access to growth funds and we look forward to updating shareholders further as our considerations, and hopefully application, proceed”.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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