

9 June 2011

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

**Exercise of Warrants and Issue of Equity**

The Board of CNE (AIM:CNEL), the AIM quoted engineering and technology solutions provider to the bioenergy sector, announces that Citadel Equity Fund Ltd (“Citadel”) has elected to exercise its warrant in full.

In consideration for the restructuring of previous convertible bonds being reissued as non-convertible bonds together with a restructuring of the quantum of the debt, pursuant to a warrant instrument dated 22 December 2010, Citadel was granted a warrant to subscribe for an aggregate of 20,271,720 ordinary shares in cash or upon the exercise of the cashless exercise mechanism, with such cashless exercise mechanism resulting in a reduced number of ordinary shares being issued.

In accordance with the terms of the warrant instrument, Citadel elected to exercise the cashless exercise mechanism in respect of its aggregate rights under the warrant. The effect of the cashless exercise mechanism results in Citadel being issued and allotted 7,932,412 new ordinary shares. Following this issue of equity, Citadel will have an interest in 2.60 per cent of the issued share capital of the Company, and Citadel will cease to have any interests in any warrant granted by the Company.

Application has been made for the 7,932,412 new ordinary shares to be admitted to trading on AIM on or around 14 June 2011. Following this issue of equity, the Company’s issued ordinary share capital will be 304,616,862 ordinary shares of 0.025p. The new ordinary shares will rank pari passu with the existing ordinary shares.

Yu Weijun commented, “Citadel has been a long-term supporter of the Company. The Board is very pleased to be able to provide further liquidity to the market and, as a result of the exercise via the cashless mechanism, reduce the dilution for existing shareholders that would have resulted from a cash exercise of the warrants.”

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