

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

MOU to Acquire BAPP Ethanol Holdings Limited and Become an Operator of Bio-refineries and Suspension

The Board of CNE (AIM:CNEL), the AIM quoted engineering and technology solutions provider to the bioenergy sector, is pleased to announce that it has today entered into a Memorandum of Understanding (“MOU”) to acquire BAPP Ethanol Holdings Limited (“BAPP”) a wholly owned subsidiary of Sino Distillery Group Limited (“SDG”), a company listed on the Hong Kong Stock Exchange. An announcement made by SDG in relation to this matter can be downloaded from the Hong Kong Stock Exchange’s website at www.hkex.com.hk/.

Prior to the completion of the above-mentioned acquisition, the target needs to carry out restructuring. Following restructuring, BAPP will have an indirect 75 per cent. interest in Harbin China Distillery Company Limited, an owner and operator of a 60,000 tonne per annum bio-refinery near Harbin in North East China. The remaining 25% interest in the Harbin China Distillery Company Limited is held by a state-owned company in Harbin.

The terms of the transaction are subject to further due diligence by CNE and further negotiation between CNE and SDG. Upon satisfactory completion of this due diligence, the consideration for the transaction is expected to be approximately RMB150 million (c. £15 million) which will be satisfied by a mixture of equity and convertible bonds.

Except the confidentiality clause, exclusivity clause and governing law and jurisdiction clause, the terms of the MOU are not legally binding and there will be no guarantee that the above-mentioned acquisition will proceed.

If completed, the acquisition of BAPP will help CNE meet its stated strategic goals of expanding its core operation from an EPC company to an operating company. As well as providing a showcase for the Company’s energy efficiency technology and second generation cellulosic biofuel production technology.

Suspension

Pursuant to AIM Rules 14, the transaction, if completed, would constitute a reverse takeover and therefore the Company has requested that its shares be suspended from trading on AIM pending an admission document being posted to shareholders or discussions between the Company and SDG ceasing.

Mr Yu, Chairman of CNE commented, “if completed, the transaction will be an incredible milestone for CNE; we will gain a valuable recurring revenue stream from operating the bio-refinery in Harbin and the opportunity to build a commercial scale second generation cellulosic biofuel plant that will serve as a reference site to promote our skills and services to Chinese and International sales prospects.”

For further information, please visit www.chinanewenergy.co.uk or contact:

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