China New Energy Limited

("CNE" or "the Company")

Trading Update, Subscription and Issue of Equity

The Board of CNE (AIM:CNEL), the AIM quoted engineering and technology solutions provider to the bioenergy sector, provides the following trading update:

TRADING UPDATE

The Board pleased to report that the Company continued to perform well in the second half of 2016 and, whilst subject to audit, revenue for the year to 31 December 2016 is expected to have risen to approximately RMB72 million. Following the return to profitability in the six months to 30 June 2016, the Company has continued to perform in line with our expectations.

The Company also provides the following update on its project pipeline:

China

The Company is pleased to advise that after a long bidding process, it has won a number of contracts from COFCO Corporation ("COFCO"), a Fortune 500 Company, one of the largest food manufacturers in China and an existing customer. The contracts are to expand COFCO's current production capacity of edible alcohol and fuel alcohol.

The contracts that were signed with the subsidiary Guangxi COFCO Biomass Energy Co., Ltd, in aggregate, total approximately RMB20.8 million and will be subject to a payment schedule based on project milestones. The contracts are expected to take approximately 5 months and commissioning is expected in Q3 of 2017.

The remaining contracts were signed with COFCO Biochemical (Anhui) Limited, in aggregate, total approximately RMB60 million and will be subject to a payment schedule based on project milestones. The contracts are expected to take approximately 7 months and commissioning is expected in Q3 of 2017.

Canada

The Board is also pleased to report the Company's first success from its programme to expand into international markets and diversify its product range. CNE has now successfully delivered and installed the isomaltooligosaccharide ("IMO") production line at BioNutura which will produce natural fibre sweeteners for the food industry.

Hungary

The Board is disappointed to learn that the Company's involvement in the prospective project in Hungary is unlikely to proceed in 2017 due to uncertainties in the European ethanol market and investor finance. CNE invested \$250,000 to acquire 24 per cent. of the equity in the project company

Visontai Bioetanol Fejlesztő Korlátolt Felelősségű Társaság that may now not be recoverable. The Company is evaluating its options and will keep the market appraised.

Sub-Saharan Africa

The board remains confident that the project pipeline with all of its partners in Sub-Saharan Africa that includes Ghana, Nigeria, Sierra Leone, Zambia and Zimbabwe remain strong prospective sales. The negotiations are ongoing and the details are commercially sensitive and must therefore remain confidential. Sunbird Bioenergy has reported that they have submitted their environmental impact assessment ("EIA") to the relevant authorities in Zambia, and once the requisite approval is given, we expect to enter into the formal negotiations.

Thailand

The company continues to be in discussion with our customers in Thailand with respect to new projects and upgrades to existing projects. To date, no orders have been confirmed.

SUBSCRIPTION AND ISSUE OF EQUITY

The Company is also pleased to announce that it has raised approximately £700,000 (RMB 6 million) by way of a subscription from Mr. Lv Jingbin, a Chinese resident, for 46,808,809 new ordinary shares at a price of £0.015 per share representing 9.53% of the enlarged issued share capital and a premium to the current share price.

The proceeds of the subscription will provide the Company with additional working capital and to assist in funding the initial development costs of the COFCO contracts.

Application will be made for 46,808,809 new ordinary shares to be admitted to trading on AIM which is expected on or around 17 March 2017. Following this issue of equity, the issued share capital of the Company will be 491,256,350 ordinary shares. The new ordinary shares will rank *pari passu* with the existing ordinary shares.

In accordance with the Financial Conduct Authority's Disclosure and Transparency Rules, the Company hereby announces that it has 491,256,350 ordinary shares of 0.025p each in issue, each share carrying the right to one vote. The Company does not hold any ordinary shares in treasury.

The above figure of 491,256,350 ordinary shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

Mr Yu, Chairman, commented: "We believe we are entering this New Year with a firm order book and a strong sales pipeline that will ensure that we continue to develop the business in 2017."

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

China New Energy Limited

Nick Brooks <u>nick.brooks@hotmail.co.uk</u> Tel: +44 7920 060218

Richard Bennett <u>rbennett@zkty.com.cn</u> Tel: +44 7966 388 374

Ivy Xu <u>xuhj@zkty.com.cn</u> Tel: +86 20 8705 9371

Cairn Financial Advisers LLP (Nomad)

Jo Turner / Liam Murray Tel: +44 20 7213 0880

Daniel Stewart and Company (Broker)

David Lawman Tel: +44 20 7776 6550