2 May 2012

China New Energy Limited
("CNE" or the "Company" or the "Group")

China New Energy Limited (AIM: CNEL), the engineering and technology solutions provider to the bioenergy sector, announces audited full year results for the year ended 31 December 2011.

HIGHLIGHTS

Financial

- Revenue up by 29.4% to RMB179m (£17.6m) (2010: RMB138.4m (£13.6m))
- Profit before tax increased by 9% to RMB25.8m (£2.5m) (2010 RMB23.7m (£2.3m))

Operational

- International business expanded as large proportion of revenue (approximately 40%) achieved through EPC contracts outside of China
- Agreement of Intent entered into with JEIC, post year end, to modify and convert an existing ethanol facility into a "second generation" 50,000 tonne plant capable of converting cellulosic plant waste into biofuel

Mr. Weijun Yu, Executive Chairman of CNE, commented; "It has been a very satisfactory year with strong growth in revenue through demonstration of our competitiveness outside of China. Against this background the management team will continue to target growth internationally in addition to identifying new revenue streams that can provide complementary and sustainable growth. In the Board's view, CNE is poised to capture the opportunities presented by growing demand for second generation biofuel and we remain confident that the Company will continue to deliver and achieve profitable growth in 2012."

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Chairman's Statement

I am pleased to report the Company's first full year results since joining the London AIM market in May 2011. In the year to 31 December 2011, China New Energy achieved a very satisfactory result with a strong 29.4% growth in revenue to RMB179 million (£17.6m) while the total value of contracts secured in the period was RMB 171 million (£16.8m), more than double the RMB79 million achieved in 2010.

Against this strong trading background during 2011, the management team also embarked on the next stage of the Company's growth strategy. Principally, CNE provides EPC (Equipment, Procurement and Construction) services and VAS (Value Added Services) mainly to ethanol, ethanol downstream product and biobutanol producers. The Board believes that prospects for the Company can be significantly advanced by identifying new streams of revenue that can complement and sustain the Company's turnover and growth, as well as lessen its dependence on the EPC business. In the Board's view, CNE is poised to capture the opportunities of growing demand for second generation biofuel.

Unlike most other forms of renewable energy, biofuels can be used as a direct substitute for petrol, as has been demonstrated by their extensive use in Brazil and the United States. The Board believes that in an environment where the price of oil is in excess of $100 a barrel, biofuels will continue to play an increasingly important role in the energy market. Ambitious biofuel support policies have been adopted in both the United States (with 60 billion litres of second-generation biofuel by 2022) and the European Union (with 10% renewable energy in the transport sector by 2020).

Due to the size of the US and EU markets and their considerable biofuel imports, US and EU policies could become an important driver for the global development of second-generation biofuels. Current IEA analysis sees a shortfall in domestic production in both the US and EU that would need to be met with imports. This shortfall could be particularly favourable for Brazil and China, where pilot plants are already operating and infrastructure allows for biofuel exports.

In the future, the Company intends to expand on its core EPC business to develop complementary services, such as supply of active yeast and biogas recovery.

Furthermore CNE's own R&D programme together with collaborations with other world class third parties, should enable the Company to remain at the forefront of developments in second generation biofuel production and to scale-up of future biofuel and biochemical technology platforms quickly and cost efficiently.

Financial Review

Pre-tax profits for the year increased by 9% to RMB25.8 million (£2.5m) (2010: RMB23.7 million (£2.3m)) During the year gross profit margins were lower at 22.8%, compared to 29.1% in 2010, mainly due to the distorting effect of unusually high margin contracts delivered during 2010 and the cost overruns of certain projects. Gross profit for the period was RMB41 million (£4.0m) (2010: RMB40 million (£3.9m)).

Other operating income grew from RMB0.46 million (£0.05m) in 2010 to RMB9.33 million (£0.9m) in 2011. This was mainly due to the recovery of bad debts previously written off. A 12% reduction in distribution expenses to RMB3.4 million (£0.3m) (2010: RMB3.9 (£0.4m)) reflected management's continued focus on controlling and minimising business overheads.

Administrative expenses were higher at RMB15.8 million (£1.6m) in 2011 (2010: RMB10.9 million (£1.1m)) largely due to charges for share based payments to employees and overheads comprising compliance and regulatory costs.

Operating expenses were up marginally to RMB2.3 million (£0.2m) in FY2011. Financial expenses were RMB 3.4 million (£0.3m) reflecting expenses arising from Citadel Bonds and bank loan of RMB 20 million (£2.0m) that were used to finance working capital for the Company's contract with Thailand-based customer, Ubon Bio-ethanol Company Limited.

Profit after tax was up by 10.0% to RMB22 million (£2.2m) in (2010: RMB20 million (£2.0m)).

As set out in the Admission Document in May 2011, the Company has agreed with Citadel Equity Fund Limited to repay its outstanding loan, via a series of repayments, US$ 3 million plus interest by 8 October 2012. To date the Company has paid US$1.5 million, plus interest, and will pay the balance of $1.5 million in three instalments ending on 8 October 2012.

As part of our strategy to maximise the opportunities available to us, whilst ensuring that the Company maintains its strong position in China and internationally, the Board will consider debt or equity fundraisings in order to take advantage of the opportunities presented to them.

Operational Review

Joint venture with Jilin Ethanol Industrial Co., Ltd ("JEIC") to exploit and commercialise technology and engineering solutions in the field of bioethanol production

In 2011, Guangdong Zhongke Tianyuan New Energy Science and Technology Co., Ltd ("ZKTY"), the Company's wholly owned operating subsidiary, entered a strategic agreement with Jilin Ethanol Industrial Company Limited ("JEIC") and Jilin City Keda Applied Technology Development Limited ("JKDAT") to form a joint venture company ("JV"), Jilin Tianshun Biochemical Development Company Limited ("Tianshun") to exploit and commercialise technology and engineering solutions in the field of bio-ethanol production. ZKTY owns 34% of Tianyi while JEIC and JKDAT own 51% and 15% respectively.

Post financial year end, CNE entered an Agreement of Intent with JEIC subsidiary to provide technology solutions to modify and convert an existing ethanol production facility into a commercial-scale 50,000 tonne facility capable of converting non-edible "cellulosic" plant waste into acetone, butanol and ethanol (the "Jilin Biofuel Facility").

The Board believes the Jilin Biofuel Facility will play a critical role in the development and scale-up of CNE's future biofuel and biochemical technology platforms based on the biological conversion to biofuels using sustainable, low cost feedstocks. Approximately 80 per cent. of fuel-grade ethanol is produced from corn. The Board, therefore, believes that the successful completion of the Project, which is intended to process the waste material from corn crops, will be a significant milestone in meeting both China's energy objectives and its food security objectives.

Progress in Developing Cellulosic Biofuel

During the period, CNE also achieved significant progress in developing process technologies for the production of biobutanol 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, CNE 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.

Entry into niche business of supplying liquid active yeast directly to ethanol producers

The Company has signed a Letter of Intent dated 9 December 2011 with Guangzhou Zhongke Tianyuan Regeneration Resources Engineering Co. Ltd ("GZTY Regeneration Resources") to acquire 88.5% of the legal and beneficial interests of Bengbu Boltech Bio-technology Co., Ltd ("Boltech"). Boltech produces and sells active yeast, which is specifically formulated for use in the process of ethanol production, as well as yeast extracts.

Yeasts are essential to ethanol production and must be readily available to the fermentation process with consistent viability and vitality for optimal performance. Yeast used in commercial ethanol production can be in the form of dry active yeast or liquid active yeast. In China, commercial ethanol producers have generally used active dry yeast, purchased from yeast manufacturers, in the ethanol production process as it has the necessary stability properties for being stored and can therefore be used as and when needed. However, liquid active yeast has superior qualities for being used in the fermentation process itself. Boltech therefore intends to build specialised liquid active yeast production facilities adjacent to large scale commercial ethanol production facilities, in order to supply fresh liquid active yeast, with strong control on dosages, direct to the fermentation process. The result is that, when compared to the existing method of using dry active yeast, Boltech can help ethanol producers achieve superior performance, improve efficiency and reduce costs. Boltech believes that its business model of supplying active liquid yeast directly to ethanol producers is the first of its kind in China.

By leveraging the Company's customer base in China and around the world, the Board believes that the Boltech business model can radically change the way Chinese commercial ethanol producers use and source their yeast material. The Company's objective is to make Boltech the leading yeast supplier to ethanol producers in China. Subject to funding, the Company intends to complete the acquisition as soon as practicable, and intends to scale up this business and replicate its current success elsewhere in China and abroad.

Biogas recovery and purifying business progressing well

CNE successfully completed and handover the Xin'ao biogas plant and, on 1st Nov 2011, this plant started commercial operation to recover and sell purified 7,000 cu. metre of biogas daily as fuel for civilian use. CNE specialises in the production of biogas through the treatment and anaerobic fermentation of waste-by-products from the bioethanol production process. Commercial production of biogas through CNE's process is relatively new. The successful completion of Xin'ao biogas plant is a testimony of the Company's technical and engineering capability to construct biogas recovery and purifying plant for bioethanol producers.

In addition to the Xin'ao biogas plant, CNE has an agreement to design and build a biogas recovery and purifying plant at a beer brewery owned by Kingway Beer Group, located in Shenzhen China, with the intention that the purified biogas be sold to Shenzhen City Gas Group.CNE expects to complete this project in the first half of 2012. Under this agreement, CNE shall bear the cost of constructing the biogas plant and co-share the revenue generated from the sale of biogas. This plant shall have a daily purified output of 7,000 cu. metre biogas and generate estimated total sales revenue of RMB8 million annually.

The successful completion of Xin'ao biogas plant enhances the Company's reputation for providing integrated solutions to the biofuel and biochemical industries both in China and internationally. The Board is confident that ZKTY's background and experience in designing and constructing ethanol production plants will help build a competitive strength for the Group in biogas production. Indeed, we intend to leverage our customer base to build aggressively the biogas recovery and purifying business, a business that can generate recurring cash flow with good margins to the Company.

Outlook

In 2011, the Company has made progress in securing new contracts and generating revenue whilst continuing to enhance its reputation for providing integrated solutions to the biofuel and biochemical industries both in China and internationally.

Looking forward we expect the market for ethanol and butanol, as replacements to fossil fuels, to continue to grow as such fuels provide form party of energy security policies and assist to mitigate the high price of oil. Our proven track record in first generation biofuel production and our competitive cost structure provides us with a real advantage in international markets.

We also remain committed to improving the efficiency of existing generation one plants by optimising the fermentation process with our yeast management services, and to delivering energy management conservation ("EMC") solutions, as well as working with our partners to implement second generation biofuel technologies that utilise cellulosic materials or non-food feedstock such as corn stover to produce biofuels

We remain confident that the Company will continue to deliver and achieve profitable growth in 2012 despite the softening economy and tight monetary conditions in China and elsewhere. Our strategic collaborations with Jilin Ethanol Industrial Company Limited lead us to believe that we will secure significant new contracts this year which will increase JEIC's production capacity and improve efficiency.

Conclusion

On behalf of the Board, I would like to extend my appreciation to our valued shareholders, supportive business partners and associates, insightful management and dedicated staff for all their contribution and commitment towards the Company. Personally, I would also like to thank the Board of Directors for their invaluable counsel in steering the Group through this period.

Yu Weijun
Chairman

Statement of Financial Position

	As at 31 December	
	2011	**2010**
	RMB'000	**RMB'000**
Non-current assets		
Property, plant and equipment	9,888	11,118
Intangible assets	4,177	3,370
Trade receivables	4,402	6,601
Investment in subsidiary	-	-
Investment in associated companies	1,700	-
	20,167	21,089
Current assets		

Inventories	23,354	35,026
Due from customers for construction contracts	93,241	56,735
Financial asset at fair value through profit and loss	7,181	-
Trade and other receivables	53,896	45,675
Notes receivable	3,150	6,893
Cash and cash equivalents	6,682	10,631
	187,504	154,960
Current liabilities		
Trade and other payables	92,352	72,959
Due to customers for construction contracts	10,054	18,725
Notes payable	4,725	8,166
Interest payable	1,781	
Income tax payable	4,640	1,118
Short-term borrowing	6,500	5,000
Convertible bonds	37,758	49,790
	157,810	155,758
Net current (liabilities)/assets	29,694	(798)
Non-current liabilities		
Deferred tax liabilities	913	1,018
	913	1,018
Net assets	48,948	19,273
Equity		
Share capital	1,118	1,013
Share premium	38,601	29,354
Combination reserve	(33,156)	(33,156)
Statutory reserve	9,856	7,247
Convertible bonds reserve	6,549	9,722
Warrant reserve	1,673	-
Own shares	(5,853)	-
Accumulated earnings/(losses)	6,467	(16,442)
Foreign currency translation reserve	23,693	21,535
	48,948	19,273

Statement of Changes in Equity

	Share capital	Share premium	Combination reserve	Statutory reserve	Convertible bonds reserve	Own shares	Accumulated earnings/ (losses)	Foreign currency translation	Total

								reserve	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 31 December 2009	1,013	29,354	(33,156)	4,788	9,722	-	(34,022)	18,039	(4,262)
Profit for the year	-	-	-	-	-	-	20,039	-	20,039
Exchange difference arising on the translation of overseas subsidiaries	-	-	-	-	-	-	-	3,496	3,496
Total comprehensive income for the year	-	-	-	-	-	-	20,039	3,496	23,535
Transfer to statutory reserve	-	-	-	2,459	-	-	(2,459)	-	-
Balance at 31 December 2010	1,013	29,354	(33,156)	7,247	9,722	-	(16,442)	21,535	19,273
Profit for the year	-	-	-	-	-	-	22,044	-	22,044
Exchange difference arising on the translation of overseas subsidiaries	-	-	-	-	-	-	-	2,158	2,158
Total comprehensive income for the year							22,044	2,158	24,202
Issue of shares, net of share issue cost	84	3,415	-	-	(3,173)	-	1,673	-	1,999
Shares granted to Employee Benefit Trust	21	5,832	-	-	-	(5,853)	3,474	-	3,474
Transfer to statutory reserve	-	-	-	2,609	-	-	(2,609)	-	-
Balance at 31 December 2011	1,118	38,601	(33,156)	9,856	6,549	(5,853)	8,140	23,693	48,948

Statement of Comprehensive Income

	Year Ended 31 December	
	2011	**2010**
	RMB’000	**RMB’000**
Revenue	178,998	138,359
Cost of sales	(138,125)	(98,131)

Gross profit	40,873	40,228
Other operating income	9,331	464
Selling and distribution expenses	(3,430)	(3,909)
Administrative expenses	(15,811)	(10,934)
Other operating expenses	(2,341)	(2,187)
Interest expense	(3,376)	-
Change in fair value of Held for sale investments	531	-
Profit before income tax	25,777	23,662
Income tax expense	(3,733)	(3,623)
Profit for the financial year attributable to owners of the company	22,044	20,039
Other comprehensive income:		
Exchange difference arising on translating foreign operations	2,158	3,496
Total comprehensive income for the financial year	24,202	23,535
Total comprehensive income attributable to owners of the company	24,202	23,535
Earnings per share (RMB)		
Basic	RMB 0.077	RMB 0.074
Diluted	RMB 0.075	RMB 0.074

Statement of Cash Flows	**Year Ended 31 December**	
	2011	**2010**
	RMB'000	RMB'000
Operating activities		
Profit/ before income tax	25,777	23,662
Adjustments for:		
Depreciation and amortisation	2,060	1,761
Administrative expenses-issue of shares to employees	3,473	-
Allowance for doubtful trade receivable	-	502

Loss/(gain) on disposal of property, plant and equipment	(419)	446
Fair value gain	(531)	-
Dividend income	-	-
Interest income	(357)	-
Interest expenses	3,376	-
Operating cash flows before movements in working capital	33,379	26,371
Inventories	11,672	(11,456)
Construction work-in-progress	(45,177)	(20,438)
Trade and other receivables	(12,672)	(11,511)
Notes receivables	3,743	(1,594)
Trade and other payables	19,393	10,349
Notes payables	(3,441)	2,675
Deferred tax	-	2,370
Cash generated from/(used in) operations	6,897	(3,234)
Income taxes paid	(314)	(170)
Dividend received	-	-
Net cash from/(used in) operating activities	6,583	(3,404)
Investing activities		
Proceeds from disposal of property, plant and equipment	917	563
Acquisition of property, plant and equipment	(1,233)	(290)
Acquisition of intangible assets	(902)	-
Net cash outflow from acquisition of subsidiary	-	(6,067)
Payment for associated company in the course of acquisition	(1,700)	-
Net cash from/(used in) investing activities	(2,918)	(5,794)
Financing activities		
Short-term borrowing	1,500	5,000
Proceeds from issuance of shares	2,001	-
Proceeds from issuance/ (redemption) of convertible bonds	(9,845)	(4,914)
Interest received	357	-
Interest paid	(1,595)	-
Net cash from/(used in) financing activities	(7,582)	86
Net increase/(decrease) in cash and cash equivalents	(3,917)	(9,112)
Cash and bank balances at beginning of year	10,631	19,743
Effect of foreign exchange rate changes in cash and bank balances	(32)	-
Cash and cash equivalents at end of year	6,682	10,631

Notes to the financial statements

1. General

The Company ("CNE") (Registration Number 93306) was incorporated in Jersey on 2 May 2006 as an investment holding Company with its registered office at Ordnance House, 31 Pier Road, St Helier, Jersey JE4 8PW.

The principal activities of the main subsidiary, Guangdong Zhongke Tianyuan New Energy Science and Technology Co Ltd., ("ZKTY") are engaged in turnkey technology solutions to manufacturers of ethanol, edible alcohol and acetic acid from a range of bio-resources including corn, sugarcane, cassava and other bio-resources. On 28 September 2010, the Group acquired Guongdong Boluo Jiumeng High Technology Engineering Co. Ltd, ("Boluo"), a company engaged in the fabrication and manufacture of equipment.

The principal place of business is located at Wushan, Tianhe District, Guangzhou, People's Republic of China ("PRC").

2. Basis of preparation

The consolidated financial information have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") issued by the International Accounting Standards Board ("IASB"), including related Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The individual financial information of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial information of the CNE Group are presented in Chinese Renminbi ("RMB"), which is the presentation currency for the consolidated and Company financial statements. The functional currency of the Company is British pound sterling ("GBP"). As the CNE Group mainly operates in the PRC, RMB is used as the presentation currency of the CNE Group. All financial information presented in RMB has been recorded to the nearest thousand.

The consolidated financial information incorporates the financial information of the Company and its subsidiaries. The Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

3. Earnings per share

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the years ended 31 December 2010 and 2011 are as follows:

	Earnings RMB'000	**Weighted average number of shares '000**	**Earnings per share RMB**
2011			
Basic	22,044	285,860	0.077
Diluted	22,044	292,125	0.075
2010			
Basic	20,039	269,324	0.074
Diluted	20,039	269,324	0.074

The weighted average of ordinary shares for diluted earnings per share reconciles to the weighted average number of ordinary shares for basic earnings per share as follows:

	2011	**2010**
	’000	**’000**
Weighted average number of ordinary shares used in the calculation of basic earnings per share	285,860	269,324
Dilutive effect of EBT	6,265	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	292,125	269,324

In order to show results from operating activities on a comparable basis, an adjusted profit after tax per share has been calculated which excludes the EBT charge where the relevant shares are satisfied by issues of new shares:

	2011	**2010**
	RMB’000	**RMB’000**
Profit for the year	22,044	20,039
Add back: share based payments	3,474	-
	25,518	20,039

	Adjusted Earnings RMB’000	**Weighted average number of shares ’000**	**Earnings per share**
2011			
Basic adjusted	25,518	285,860	0.089
Diluted adjusted	25,518	292,125	0.087
2010			
Basic adjusted	20,039	269,324	0.074
Diluted adjusted	20,039	269,324	0.074

4. **Events after the balance sheet date**

On 1 January 2012, the group signed a Letter of Intent with Guangzhou Zhongke Tianyuan Regeneration Resources Engineering Co. Ltd ("GZTY Regeneration Resources") to acquire 96.5% of the legal and beneficial interests of Bengbu Boltech Bio-technology Co., Ltd ("Boltech"). Boltech produces and sells active yeast, which is specifically formulated for use in the process of ethanol production, as well as yeast extracts. The aggregate purchase consideration for the Proposed Transaction shall be on an arm’s length basis and on normal commercial terms.

5. **Posting of accounts**

The annual report for the financial year to 31 December 2011 will be distributed to all shareholders shortly.

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 more than 90 projects with an aggregate production capacity of approximately 9.0 million tons per year.

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.