



26 March 2012

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

**Trading Update**

China New Energy Limited (AIM: CNEL), the engineering and technology solutions provider to the bioenergy sector, announces guidance for the year end results for the 12 months ended 31 December 2011, in advance of the audited final results, and a general trading update.

**Highlights**

- Revenue up by 29.4% to RMB 179 million (2010: RMB 138.4 million)
- Gross profit of RMB 40.9 million (2010: RMB 40.2 million)
- Profit before tax increase of approximately 9% to circa RMB 25.0 million (2010 RMB 23.7 million)
- Contracts won in 2011 increased by 116% to RMB 171 million (2010: RMB 79 million)

The Company recorded strong revenue growth in the year to 31 December 2011 with a 29.4% rise to RMB 179 million reflecting both a strong rise in the volume of contracts won and completed. The total value of contracts secured in 2011 was RMB 171 million, up by 116% from RMB 79 million 2010. The results are in line with market expectations.

As expected, gross profit was only marginally higher at RMB 41 million with gross margin down from 29.1% in 2010 to 22.8% in 2011. The lower margin figure largely reflects the unusually high margin contracts delivered during 2010 and cost overruns on certain Thailand projects, particularly the Ubon Ratchathani Project (“Ubon”), due in part to the severe flooding in the country.

Subject to audit, the company estimates that profit before tax for the year to 31 December 2011 was approximately RMB 25.9 million, an increase of over 9% compared to the prior year.

**CITADEL BONDS**

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

**ORDER BOOK**

The Company secured RMB171 million in new contracts during 2011 and, as at 31 December 2011, the order book stood at RMB 32 million. To date in the current year, the Company has secured new contracts worth RMB 55 million which is slightly down on the same period of 2011 due to, the management believes, the unusually early Chinese New Year. Management expects first quarter orders to be ahead of the 2011 figure.

**UPDATE ON BOLTECH ACQUISITION**

The proposed acquisition of a majority holding in Bengbu Boltech Bio-technology Co., Ltd (“Boltech”) was announced on 12 December 2011. The Letter of Intent, between the Company and Guangzhou Zhongke Tianyuan Regeneration Resources Engineering Co. Ltd (“GZTY Regeneration Resources” or “Vendor”) was to

acquire 88.5% of the legal and beneficial interests of Boltech from the Vendor. Boltech is in the business of producing and selling active yeast, specifically formulated for the ethanol production process, and yeast extracts.

The Company had earlier announced that Boltech has secured annual supply contracts worth RMB 22.4 million since commercial production started in July 2011, including RMB 15.6 million from COFCO, part of COFCO China, a leading grain, oils and foodstuffs import and export group in China and one of the country's largest food manufacturers. To fulfill these annual contracts, however, Boltech needed to secure working capital to finance its yeast production. As of today, the Definitive Agreement has not yet been finalised but the Company is actively working with various advisers to secure the necessary funding to complete the acquisition and kick-start the new business initiative to supply liquid active yeast to ethanol producers. The business driver for the acquisition is to develop a recurring revenue stream to compliment the core business revenues from EPC contracts.

#### **SUPPLEMENTAL AGREEMENT WTH SHARE SUBSCRIBER**

Pursuant to a Share Subscription Agreement dated 12 December 2011, The Oriental Petroleum & Chemical Equipment Co., Limited (the "Subscriber"), an Asian based business associate of the Company, was to subscribe for 3,571,429 Ordinary Shares at 7 pence per share, raising £250,000. As per the Agreement, the payment was expected on or around 15 January 2012. However, the Company has since entered a supplemental agreement with the Subscriber to extend the payment due date to 30 March 2012. In consideration for the Company extending the date, the Subscriber has paid a non refundable deposit of £25,000 to the Company. A further announcement will be made once the issue of equity has occurred.

#### **CHAIRMAN'S COMMENTS ON RESULTS AND OUTLOOK**

**Mr. Weijun Yu, Executive Chairman of CNE, commented;** "The Company has made strong 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.

"We expect the market for ethanol and butanol, as a replacement to fossil fuels, to continue to grow as it provides countries with energy security and helps mitigate the high price of oil. Our proven track record in generation one 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 generation 2 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 production capacity and improve efficiency. Based on the latest work plan we have discussed with JEIC, the Company could potentially be involved in project contracts worth circa. RMB100 million in 2012. In addition, we are in advance negotiations to secure new EPC contracts in Thailand, Indonesia, and Pakistan."

The Company expects to issue the annual audited report and account by 31 May 2012 with a view of holding the Annual General Meeting by 30 June 2012

**China New Energy Limited**

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**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.