30 June 2011

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

Full year results for the year ended 31 December 2010

China New Energy Limited (AIM: CNE), the engineering and technology solutions provider to the bioenergy sector, announces audited full year consolidated results for the year ended 31 December 2010, the Company’s maiden results since gaining admission to AIM in May 2011.

CNE’s wholly owned subsidiary, Guangdong Zhongke Tianyuan New Energy Science and Technology Co. Ltd (“ZKTY”), provides process technology, engineering designs, plant manufacturing and operational services relating to the production of fuel ethanol, edible ethanol, biobutanol, bioacetic acid and other chemicals from agricultural plant materials and waste. ZKTY has advised on 88 projects globally, with an aggregate production capacity of c. 9.0 million tonnes per year and a total contract value of c. RMB 1.5 billion.

Financial Highlights

- Revenue up 10.4% to RMB 138.4 m (2009: RMB 125.3m)
- Gross profit up 27.6% to RMB 40.2m (2009: RMB 31.5m
- Gross margins improved to 29.1% (2009: 25.2%)
- Profit before tax up 64% to RMB 23.7m (2009: RMB 14.4m)
- EPS (basic and diluted) up 97.7% to RMB 3.5 (2009: RMB 1.77)

Operational Highlights

- Collaboration agreement with ButylFuel LLC to develop and market biobutanol production technologies
- Letter of intent with Songyuan Laihe Chemicals to form a JV to commercialise technology to produce advanced biofuel bio-butanol using cellulosic waste from agricultural produce
- Entry into new area of biogas production with two pilot biogas projects in South China
- Acquisition of specialist manufacturing capacity to reduce dependency on outsourced manufacturing
- Business activity has picked up and excellent prospects provide confidence in outlook
- RMB 168m of new contracts in the year to date compared to RMB 57m for the same period in 2010

Commenting on Outlook, YU Weijun, Chairman of CNE, said: “*After two years of challenging conditions in 2009 and 2010, the Directors and Management Team are confident in the Company’s outlook and are determined to position the Group for recovery and organic growth. To strengthen our market position and to add value to our existing business, the Group is actively exploring opportunities to expand into complimentary businesses or operations through acquisitions, joint ventures or strategic alliances.*”

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Chairman's Statement

On behalf of the Board, I am very pleased to present to you our Annual Report for the financial year ended 31 December 2010, our first since our successful admission to AIM on 23rd May 2011.

Financial Performance Review

The Group principally provides EPC (Equipment, Procurement and Construction) services and VAS (Value Added Service) mainly to ethanol, ethanol downstream product and biobutanol producers.

We are very pleased that despite the fact that our operating environment in 2010, especially the first half of the year, has been challenging, we have still made good progress and have delivered strong growth across the Group. In the aftermath of the Global Financial Crisis in 2008, many of our customers were less willing to take on new capital projects and also faced funding difficulties, meaning many projects were suspended or cancelled as a consequence. Since the second half of the year, we have witnessed a sustained recovery by our customers who are now re-commencing projects that were previously suspended, and whilst this has contributed to our growth in 2010 it provides us with confidence for our growth prospects in 2011.

Notwithstanding this challenging environment, the Group's revenue increased by 10.4% to RMB 138.4 million from RMB 125.3 million in 2009. This was mainly achieved by focusing on ensuring the timely completion of projects and our focus on providing Value Added Services (e.g. technical/facility upgrades, maintenance and energy efficiency improvement) to our customers.

The Group's gross profit grew 27.6% to RMB 40.2 million in 2010 compared to RMB 31.5 million in 2009; gross margins improved from 25.2% in 2009 to 29.1% in 2010. Our gross margins improved significantly in 2010. This was mainly attributable to two key drivers: (1) our ability to control our costs of sales through our technical research and development and better coordination of our supply chain, and (2) improving our value proposition, especially for overseas projects, vis-à-vis our competitors in terms of pricing, quality and timely work delivery.

Reflecting our ability to control overheads, our operating expenses were RMB 17.0 million in 2010, down 14% from RMB 19.8 million in 2009. The Group recorded a profit after tax of RMB 20.0 million in 2010 compared to RMB 11.9 million in 2009. This 68% year on year improvement in profitability was largely due to a significant improvement in gross margins on higher revenue, and our ability to control our overheads and selling and distribution expenses.

Operational Review

Our competitiveness and growth depend on our ability to remain abreast of technological advancements in the biofuel industry and with the development of ethanol. Some commodities like maize (corn), sugar cane or vegetable oil can be used either as food, feed, or to make biofuels and, as biofuel production has increased in recent years, there has been growing concern regarding the risk of diverting edible feedstocks to biofuel production. This concern is particularly felt in China where some regions restrict the use of certain crops for activities other than commercial food productions. Substantial global research and development efforts have been put into commercialising the production of next generation biofuels from non-food crops, crop residues and waste. The Group is currently also conducting research and development activities internally and is collaborating with external institutions to research the possibility of developing new processes to maximise the extraction of ethanol and other biogases from cassava, and to explore cost effective and efficient ways to extract ethanol and butunol from cellulosic feedstock, such as wood waste and the non-food parts of the current crops.

As a result of our continued development in this area, in 2010 we entered into the following:

- a collaboration agreement with ButylFuel LLC (a US entity) to jointly develop and market technologies in the field of biobutanol production to a particular customer for a wood pulp mill in Maine, US; and

- a letter of intent with Songyuan Laihe Chemicals Co., Ltd ("Songyuan"), to form a joint venture company to commercialise a technology that was developed by the Chinese Academy of Sciences in collaboration with Songyuan to produce advanced biofuel bio-butanol using cellulosic waste from agricultural produce such as straw and wood.

Leveraging on our technical know-how and customer base, our wholly owned subsidiary, Guangdong Zhongke Tianyuan New Energy Science and Technology Co. Ltd ("ZKTY"), ventured into a relatively new business area by providing technology and engineering solutions for the biogas production industry. Biogas refers to either methane, hydrogen or carbon dioxide rich gas that is produced as organic matter breaks down. This gas can be sold to local utility gas companies as fuel for domestic use. The Group specialises in the production of biogas through the treatment and anaerobic fermentation of waste by-products from the ethanol production process. The Group entered into two arrangements in 2010 to construct two pilot biogas projects in southern China, which we expect to complete by H1 2011. ZKTY intends to structure its customer contracts for its biogas business so that ZKTY will share the customer's revenue collected from selling the biogas, which will provide the Group with a source of recurring revenues. Your Directors believe 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.

In October 2010, ZKTY acquired Guangdong Boluo Jiuneng High Technology Engineering Co., Ltd. ("Boluo"), a company incorporated in the People's Republic of China ("PRC"). Boluo fabricates and manufactures equipment in accordance with project requirements and designs, and provides its services exclusively to ZKTY. The key rationale for this acquisition was to reduce our dependency on outsourced manufacturing and to ensure quality of key components.

The Board is pleased to advise that the above initiatives, which were taken in 2010, are consistent with our business strategy of offering services which enable our customers to achieve cost and energy efficiencies and increase the quality and reliability of their production plants.

Market Prospects and Business Outlook

Our customers' products are mainly required in the renewable energy, beverage and chemical industries. The Group's performance is therefore driven in part by corresponding growth in these industries. The Directors believe that with its large and growing population, and changing social attitudes, the PRC will demonstrate increasing demand for edible alcohol for ethanol. In addition, due to the increasing industrial development in the PRC, there will be a corresponding increase in the demand for the Group's services from the ethanol downstream producers.

Demand for oil, energy security and reducing carbon emissions are also key drivers for our industry. China is an important participant in world energy markets. In the interests of its energy security, the PRC government has enacted various laws and regulations encouraging the use of renewable energy as a substitute for fossil fuels. Bioenergy, which includes biofuel, is widely considered to be one of the key alternatives to fossil fuel use, because of its easy acquisition and cleaner emissions. The National Development and Reform Commission ("NDRC") in the PRC forecasts that the production of ethanol will increase from 1.7 million tons in 2008 to 10 million tons in 2020. However, in another more recent report jointly conducted by Novozymes and the consultants McKinsey & Company, it is predicted that cellulosic biofuel (which is biofuel produced from wood, grasses or the non-edible organic matter) could be substituted for 31 million tons of gasoline in China by 2020, cutting the nation's oil imports by 10 per cent.

It should also be noted that the same drivers apply to most markets around the world. Developed countries such as those in Europe and the USA are all planning specific production blending targets of bioethanol with petrol (E10), which again is driven by energy security and carbon emission reduction goals. One of the company's aims for the coming period is to establish both a business and corporate development foothold in these markets.

The Directors believe that the Group's experience and track record in providing services to the bioenergy sector will position the Group well to benefit from the progressive development and growth in the bioenergy sector, particularly in China.

The Directors envisage the operating environment for FY2011 to be encouraging as, despite recent drops, the year-on-year price of oil remains high and the promotion of renewable energy globally augur well for positive development and growth in biofuel markets in both domestic and international markets. Since the second half of 2010, we have witnessed a sustained recovery in our customers' business activities, with our customers re-commencing projects that were previously suspended. Already, in the year to date, we have secured around RMB168 million worth of new contracts compared to RMB 57 million during the same period last year. The Group is currently exploring opportunities and negotiating with prospective customers for new projects in the PRC and overseas. Barring unforeseen circumstances such as delays and cancellations of projects, the Directors expect the Company to register increased revenue in FY2011.

Outlook

After two years of challenging conditions in 2009 and 2010, the Directors and Management Team are confident in the Company's outlook and are determined to position the Group for recovery and organic growth. To strengthen our market position and to add value to our existing business, the Group is actively exploring opportunities to expand into complimentary businesses or operations through acquisitions, joint ventures or strategic alliances. The Directors believe that the Group's status as a quoted company should allow the Group to take advantage of such opportunities as and when they arise, as it will have access to the public equity markets to assist it to raise funds for such acquisitions, or be able to use its quoted shares as a currency for acquisition. The Group undertakes to keep our shareholders duly and timely informed of such corporate activity.

Admission to AIM is a key milestone in the corporate development of China New Energy. The Board is committed to making the most of our quoted status and growing our business, to enhance shareholder value.

Conclusion

On behalf of the Board and management, I would like to thank all staff for their dedication and teamwork in 2010. I would also like to thank our shareholders and business partners for their invaluable support and confidence in China New Energy.

Yu Weijun

Chairman

Statement of Financial Position

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2010	**2009**	**2010**	**2009**
	Note	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Non-current assets					
Property, plant and equipment		11,118	6,809	-	-
Intangible assets		3,370	108	-	-
Deferred tax assets		-	2,370	-	-
Trade receivables		6,601	7,803	-	-
Investment in subsidiary		-	-	84,069	84,069
		21,089	17,090	84,069	84,069
Current assets					
Inventories		35,026	23,570	-	-
Due from customers for construction contracts		56,735	53,785	-	-
Trade and other receivables		45,675	32,954	4,054	550
Notes receivables		6,893	5,299	-	-
Cash and cash equivalents		10,631	19,743	772	3
		154,960	135,351	4,826	553
Current liabilities					
Trade and other payables		72,959	59,240	4,665	2,618
Due to customers for				-	
Notes payables		8,166	5,491	-	-
Income tax payable		1,118	-	19	21
Short-term borrowing		5,000	-	-	-
Convertible bonds		49,790	54,704	49,790	54,704
		155,758	155,648	54,474	57,343
Net current (liabilities)/assets		(798)	(20,297)	(49,648)	(56,790)
Non-current liabilities					
Deferred tax liabilities		1,018	1,055	-	-
		1,018	1,055	-	-
Net (liabilities)/assets		19,273	(4,262)	34,421	27,279
Equity					
Share capital		1,013	1,013	1,013	1,013
Share premium		29,354	29,354	29,354	29,354
Combination reserve		(33,156)	(33,156)	-	-
Statutory reserve		7,247	4,788	-	-
Convertible bonds reserve		9,722	9,722	9,722	9,722
Accumulated losses		(16,442)	(34,022)	(27,374)	(30,846)

Foreign currency translation reserve	21,535	18,039	21,706	18,036
	19,273	(4,262)	34,421	27,279

Statement of Comprehensive Income

		Group		Company	
		Year Ended 31 December			
		2010	2009	2010	2009
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Revenue		138,359	125,301	-	-
Cost of sales		(98,131)	(93,781)	-	-
Gross profit		40,228	31,520	-	-
Other operating income		464	5,563	7,883	-
Selling and distribution expenses		(3,909)	(3,129)	-	-
Administrative expenses		(10,934)	(11,221)	(3,007)	(1,094)
Other operating expenses		(2,187)	(5,470)	-	5,127
Interest expenses		-	(2,837)	(1,404)	(2,837)
Profit before income tax		23,662	14,426	3,472	1,196
Income tax expense		(3,623)	(2,508)	-	-
Profit for the financial year attributable to equity holders		20,039	11,918	3,472	1,196
Other comprehensive income:					
Exchange difference		3,496	(5,498)	3,670	(5,870)
Total comprehensive income for the financial year		23,535	(6,420)	7,142	(4,674)
Total comprehensive income attributable to equity holder		23,535	6,420	7,142	(4,674)

Earnings per share:

Basic and diluted	23	3.50	1.77

Statement of Cash Flows

	Group		Company	
	Year ended 31 December			
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities				
Profit before income tax	23,662	14,426	3,472	1,196
Adjustments for:				
Depreciation and amortisation	1,761	1,419	-	-
Allowance for doubtful trade receivable	502	3,114	-	-
Allowance for impairment/(write back)	-	699	-	-
Loss/(gain) on disposal of property, plant and	446	19	-	-
Interest income	-	(151)	-	-
Operating cash flows before movements in working capital	**26,371**	**19,526**	**3,472**	**1,196**
Inventories	(11,456)	9,406	-	-
Construction work-in-progress	(20,438)	427		-
Trade and other receivables	(11,511)	(11,352)	(348)	(51)
Notes receivables	(1,594)	(5,199)	-	
Trade and other payables	10,349	(4,524)	2,559	(1,375)
Notes payables	2,675		-	-
Deferred tax	2,370	-	-	-
Cash generated from/(used in) operations	**(3,234)**	**10,354**	**(5,683)**	**(230)**
Income taxes paid	(170)	(18)	-	-
Net cash from/(used in) operating activities	**(3,404)**	**10,336**	**5,683**	**(230)**
Investing activities				
Proceeds from disposal of property, plant and equipment	563	98	-	-
Acquisition of property, plant and equipment	(290)	(4,338)	-	-
Net cash outflow from acquisition of subsidiary	(6,067)	-	-	-
Interest received	-	151	-	-
Net cash from/(used in) investing activities	**(5,794)**	**(4,089)**	**-**	**-**
Financing activities				
Short-term borrowing	5,000	-	-	-
Proceeds from issuance/ (redemption) of convertible bonds	(4,914)	-	(4,914)	-
Net cash from/(used in) financing activities	**86**	**-**	**(4,914)**	**-**
Net increase/(decrease) in cash and cash equivalents	**(9,112)**	**6,247**	**769**	**(230)**
Cash and bank balances at beginning of year	19,743	13,663	3	211
Effect of foreign exchange rate changes in cash and bank balances	-	(167)	-	22
Cash and cash equivalents at end of year	**10,631**	**19,743**	**772**	**3**

Notes to the financial statements

1. Basis of preparation

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") and Guongdong, where the newly acquired subsidiary Boluo works from.

2. Basis of consolidation

The subsidiary is consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-Group balances and transactions and any unrealised income and expenses arising from intra-Group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial information of the subsidiary companies is prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of a subsidiary are changed to ensure consistency with the policies adopted by other members of the Group.

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 2009 and 2010 are as follows:

	2010	**2009**
Profit attributable to equity holders (RMB'000)	20,037	11,918
Basic weighted average number of shares in issue during the period (thousands)	6,733	6,733
Diluted weighted average number of shares in issue during the period (thousands)	6,733	6,733

Earnings per share (basic and diluted) (RMB)	3.50	1.77

4. Events after the balance sheet date

As disclosed further in note 13, a settlement agreement signed on 21 December 2010 with respect to the convertible bonds cancelled these instruments in exchange for the completion of a number of conditions, such as the issue of other instruments. Certain of these conditions were completed after the year end and the accounting will reflect this settlement in the next accounting period.

On 21 March 2011, pursuant to written resolutions passed by the shareholders of the Company, the Company approved (i) the subdivision of the authorised share capital of the Company into 10,000,000,000 ordinary shares of par value £0.001 each and (ii) that each existing issued ordinary share of par value £0.01 at such date be subdivided into 10 ordinary shares of par value £0.001 each, and (iii) that the Company"s memorandum of association be amended to reflect the same.

On 15 April 2011 by resolutions of the Board, the Board approved the allotment of an aggregate of 2,019,932 ordinary shares of par value £0.001 each to EES Trustees International Limited, to be held on trust in accordance with the terms of the China New Energy Limited Employee Benefit Trust and to be allocated to certain named employees of the Group provided such persons remain employees of the Group on the anniversary of Admission.

On 6 May 2011, pursuant to written resolutions passed by the shareholders of the Company, the Company approved (i) the subdivision of the authorised share capital of the Company into 40,000,000,000 ordinary shares of par value £0.00025 each and (ii) that each existing issued ordinary share of par value £0.001 at such date be subdivided into 4 ordinary shares of par value £0.00025 each, and (iii) that the Company's memorandum of association be amended to reflect the same.

On 16 May 2011 by resolutions of the Board, the Board approved, conditional on Admission, (i) the allotment of up to 9,360,147 Ordinary Shares free of pre-exemption in connection with the Placing; (ii) that a further 2,966,845 Ordinary Shares be at the disposal of the Board pursuant to the warrant agreement to be executed in favour of Cairn in part settlement of fees; (iii) that a further 357,142 Ordinary Shares be allotted to Cairn on Admission in part settlement of fees; (iv) that a further 1,483,425 Ordinary Shares be allotted to SVS on Admission in part settlement of fees; and (v) that a further 8,079,728 Ordinary Shares be allotted to NovusAsia Capital Limited on Admission in part settlement of fees.

On 23 May 2011, the group raised £655,210 through a share placing at 7 pence per share and the shares of the Company were admitted for trading on the AIM market of the London Stock Exchange.

On 9 June 2011, Citadel Equity Fund Ltd exercised its warrant in full. The warrant instrument was dated 22 December 2010 and granted Citadel warrants to subscribe for an aggregate of 20,271,720 ordinary shares in cash or upon the exercise of the cashless mechanism which would reduce the number of ordinary shares being issued. Citadel exercised the cashless mechanism which resulted in the issue and allotment of 7,932,412 new ordinary shares. Following the issue of this equity, Citadel had an interest of 2.60 per cent of the issued share capital of the company and ceased to have any interests in any warrants that had been granted by the Company.

5. General

The financial information contained in this document does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The figures for the year ended 31 December 2010 have been extracted from the audited statutory financial statements. The financial statements for the year ended 31 December 2010 received an unqualified auditors' report which did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

A copy of the Company's Annual Report and Accounts for 2010 will be sent to all shareholders shortly and will also be available for collection from the Company's registered office, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES. The Annual Report and Accounts will also be available on the Company's website at www.chinanewenergy.co.uk.