26 June 2013

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

Final Results

I am pleased to present the annual report and financial statements of China New Energy Limited (the "Company" or "CNE") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

Financial Review

For the year ended 31 December 2012, the Group's total revenues decreased by approximately 18.1% from RMB178 million to RMB146 million, but I am pleased to report that our profit before tax increased by 1.5% from RMB25.8 million to RMB26.2 million ensuring that the Group's overall performance remained steady.

The past year was challenging for the Group's core EPC (Equipment, Procurement and Construction) business. This was mainly due to a depressed ethanol price and lower demand for ethanol related products during the period, which in-turn delayed the capital expenditure of ethanol producers. However, the group did succeed in securing new contracts in 2012 to a total value of RMB 166.6 million, down only 2.6% from RMB171 million in 2011.

The gross profit for the year had decreased by approximately 36.4% from RMB40.9 million to RMB26.0 million. This was mainly due to lower gross margin on this year's EPC contracts, and a cost overrun on the Thailand Ubon Ratchathani Project ("UBBE project") that was mostly attributed to the flooding in Thailand.

I am pleased to report that we successfully reached an agreement with one of the company's overdue trade accounts in Songyuan, which was previously written off, whereby they paid off RMB30 million debts with 2.86% of their share capital to the Group, this contributes the increased of the bad debt write back during the year.

FY2012 profit after tax maintained at the similar level of RMB22 million as compared to FY2011.

Operational Review

The Group principally provides EPC (Equipment, Procurement and Construction) services and VAS (Value Added Service) to ethanol and biobutanol producers. The revenue from EPC contracts during the period was more than 95% of the company's total revenue. The board recognises that there is significant potential to expand our VAS business, and is implementing strategies that will increase revenues from the provision of value added services.

CNE established a strategic partnership with Jilin Ethanol Industrial Group Company ("JEIC") in 2011. JEIC was specifically formed in 2011 to amalgamate a number of inefficient state-owned ethanol producers in Jilin Province. JEIC currently has an annual corn processing capacity of 2,000,000 tons, annual ethanol production capacity of 600,000 tons and a 25% shareholding in a further 500,000 tons of annual biofuel grade ethanol capacity. JEIC is targeting to increase its own annual production of ethanol to 1,000,000 tons by 2013, thereby becoming the largest ethanol producer in Asia.

As a result of our strategic partnership, in 2012, Guangdong Zhongke Tianyuan New Energy Science and Technology Co., Ltd ("ZKTY"), the Company's wholly owned operating subsidiary in China, won a RMB73 million (£7.7 million) contract from JEIC to reconstruct and improve the technology in one of their ethanol refineries. ZKTY will also supply the key equipment to expand their ethanol capacity to 350,000 tons per year.

During the year, we spent a lot of human resource on the UBBE project in Thailand to complete the agreement that we secured in 2011. Many of our best engineers worked on this project in order to deliver outstanding performance to the client to ensure we are considered for future contracts. At the end of December 2012, the construction and installation was completed, and some of our engineers are currently optimising the ethanol production at the biorefinery as part of an on-going VAS commitment.

The projects mentioned above are the two largest projects implemented during the financial year. The Group also implemented more than 10 other projects for Chinese customers in 2012. The total contracted value was RMB167 million. Given the current economic environment, the board are pleased with this achievement and believe our customers continue to value our technology and services.

Research & development

CNE is a provider of first generation ethanol and butanol refinery technology, and mostly our clients use feedstock such as corn, cassava and sugar cane. A major goal of our industry is to commercialise second-generation technology that converts cellulosic biomass (agricultural waste) into fuel grade ethanol and butanol. During the period, ZKTY's R&D centre made significant progress in developing new processes that will help achieve that goal.

One of the most significant is a new feedstock pre-treatment process that reduces the cellulosic biomass to its basic chemical components. This uses a unique combination 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, ZKTY is now able to offer our clients process technologies that ferment raw cellulosic biomass feedstock, such as corn stover or bagasse, to produce valuable Acetone, Butanol and Ethanol (commonly known as “ABE”) as well as biogases.

ZKTY is now in the process of scaling-up the technology at Asia’s largest ABE plant in Songyuan. This is an important customer, of which the Group now owns 2.86%, who will play a crucial role in the testing and commercialisation of ZKTY’s second-generation technology.

Our primary goal remains to commercialise second-generation biochemical technology platforms that produce biofuel using the biological conversion of sustainable and low-cost cellulosic biomass.

Outlook

The Board believes that CNE’s business can radically improve the way commercial ethanol producers use and source their raw feedstock and in-turn the economics of the biofuel industry. We believe we can leverage our local customer base, and achieve our goal to become a leading supplier of second-generation cellulosic biofuel technology to ethanol and butanol producers in China and around the world. The Board’s ambitions include building our own second-generation biofuel refinery, as well as to seek strategic acquisitions and mergers that will facilitate the rapid scale-up and rollout of second-generation technology to global markets.

According to the International Energy Agency (“IEA”), biofuels could provide 27% of total transport fuel by 2050; worldwide biofuel consumption could rise from 55 million tonnes of oil equivalent (Mtoe) today, to 750Mtoe by 2050. 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). On Jan. 8 2013, the U.S. Energy Information Administration released the January issue of its Short-Term Energy Outlook, which is the first to include forecasts for 2014. The EIA’s analysis predicts that ethanol production will rebound, beginning in the second half of 2013.

The Board believes the Company is poised to capture profitable opportunities from the growing demand for second-generation biofuel technology. Specifically EPC contracts to build second-generation refineries, as well as value added services across the bioethanol and biobutanol production cycle. In the meantime, the company will continue to develop pragmatic complementary revenue generating services, which help existing first-generation biofuel operators improve production efficiency and generate further cost savings through the efficient use of energy.

Furthermore R&D efforts, along with collaboration with other world-class organisations, shall enable the Company to develop and commercialise second-generation biofuel technology, and to scale-up of future biofuel and biochemical technology platforms quickly and cost efficiently.

Conclusion

In general, I am optimistic about the Group’s prospects in 2013 and beyond. We continue to expect challenges due to the global economic climate, but the general outlook for our industry is very exciting as it transitions to second-generation technology. The Board and Management are feeling energized and committed to deliver growth this year, and build a strong foundation for sustainable growth in the future.

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. I would also like to thank the Board of Directors for their invaluable counsel in steering the Group through this exciting time.

Yu Weijun
Chairman

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2012

	Group As at 31 December		Company As at 31 December	
	2012	**2011**	**2012**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-current assets				
Property, plant and equipment	11,245	9,888		-
Intangible assets	4,760	4,177		-
Trade receivables	3,523	4,402		-
Investment in subsidiary	-	-	89,922	89,922
Investment	30,950	1,700		
	50,478	**20,167**	**89,922**	**89,922**
Current assets				
Inventories	12,286	23,354		-
Due from customers for construction contracts	86,832	93,241		-
Financial asset at fair value through profit and loss	-	7,181		7,181
Trade and other receivables	50,429	53,896	6,449	9,283
Notes receivable	7,600	3,150		-
Cash and cash equivalents	11,310	6,682	45	118
	168,457	187,504	6,494	16,582
Current liabilities				
Trade and other payables	95,901	94,133	19,460	13,707
Due to customers for construction contracts	10,525	10,054	-	-
Notes payable	5,404	4,725	-	-
Income tax payable	9,020	4,640	18	17
Short-term borrowing	-	6,500	-	-
Convertible bonds	25,081	37,758	25,081	37,758
	145,931	157,810	44,559	51,482
Net current (liabilities)/assets	**22,525**	**29,694**	**(38,065)**	**(34,900)**
Non-current liabilities				
Deferred tax liabilities	859	913	-	-
	859	**913**	**-**	**-**
Net assets	**72,145**	**48,948**	**51,857**	**55,022**
Equity				
Share capital	1,134	1,118	1,134	1,118
Share premium	39,171	38,601	39,171	38,601
Combination reserve	(33,156)	(33,156)	-	-
Statutory reserve	12,328	9,856	-	-
Convertible bonds reserve	6,549	6,549	6,549	6,549
Warrant reserve	1,673	1,673	1,673	1,673
Own shares	(5,853)	(5,853)	-	-
Accumulated earnings/(losses)	27,954	6,467	(19,154)	(16,612)
Foreign currency translation reserve	22,345	23,693	22,484	23,693
	72,145	**48,948**	**51,857**	**55,022**

CONSOLIDATED AND COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Group Year Ended 31 December		Company Year Ended 31 December	
	2012 RMB'000	**2011 RMB'000**	**2012 RMB'000**	**2011 RMB'000**
Revenue	146,154	178,348	-	-
Cost of sales	(120,177)	(137,475)	-	-
Gross profit	**25,977**	**40,873**		**-**
Other operating income	5,330	796	244	14,511
Bad debts write back	19,105	8,535		
Selling and distribution expenses	(3,394)	(3,430)	-	-
Administrative expenses	(16,922)	(15,811)	(960)	(2,530)
Other operating expenses	(1,490)	(2,341)		31
Interest expense	(1,435)	(3,376)	(902)	(1,781)
Loss on disposal of investment	(924)	-	(924)	-
Change in fair value of held for sale investments	-	531	-	531
Profit before income tax	**26,247**	**25,777**	**(2,542)**	**10,762**
Income tax expense	(4,495)	(3,733)	-	-
Profit for the financial year attributable to owners of the company	**21,752**	**22,044**	**(2,542)**	**10,762**
Other comprehensive income: Exchange difference arising on translating foreign operations	(1,348)	2,158	(1,209)	1,987
Total comprehensive income for the financial year	20,404	24,202	(3,751)	12,749
Total comprehensive income attributable to owners of the company	20,404	24,202	(3,751)	12,749
Earnings per share (RMB) Note 3				
Basic	RMB 0.070	RMB 0.077		
Diluted	RMB 0.068	RMB 0.075		

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Group As at 31 December		Company As at 31 December	
	2012	**2011**	**2012**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Operating activities				
Profit/ before income tax	26,247	25,777	(2,542)	10,762
Adjustments for:				
Depreciation and amortisation	2,104	2,060	-	-
Administrative expenses-issue of shares to employees	2,207	3,473	-	-
Bad debt written back	(19,105)	(8,535)	-	-
Loss/(gain) on disposal of property, plant and equipment	70	(419)	-	-
Loss/(gain) on disposal of financial assets	924	-	924	-
Fair value gain	-	(531)	-	(531)
Dividend income	-	-	-	(14,068)
Interest income	(394)	(357)	-	-
Interest expenses	1,435	3,376	902	1,781
Impairment of investment	750	-	-	-
Operating cash flows before movements in working capital	14,238	24,844	(716)	(2,056)
Inventories	11,068	11,672	-	-
Construction work-in-progress	6,880	(45,177)	-	-
Trade and other receivables	(6,549)	(4,137)	1,620	(1,114)
Notes receivables	(4,450)	3,743	-	-
Trade and other payables	(4,900)	19,393	426	451
Notes payables	679	(3,441)	-	-
Deferred tax	-	-	-	-
Cash generated from/(used in) operations	16,966	6,897	1,330	(2,719)
Income taxes paid	(182)	(314)	-	(2)
Dividend received	-	-	-	9,953
Net cash from/(used in) operating activities	16,784	6,583	1,330	7,232
Investing activities				
Proceeds from disposal of property, plant and equipment	-	917	-	-
Proceeds from disposal of financial assets	6,257	-	6,257	
Acquisition of property, plant and equipment	(3,375)	(1,233)	-	-
Acquisition of intangible assets	(739)	(902)	-	-
Net cash outflow from acquisition of subsidiary	-	-	-	-
Payment for associated company in the course of acquisition	-	(1,700)	-	-
Net cash from/(used in) investing activities	2,143	(2,918)	6,257	-

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Group As at 31 December		Company As at 31 December	
	2012	**2011**	**2012**	**2011**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financing activities				
Short-term borrowing	(6,500)	1,500	-	-
Proceeds from issuance of shares	586	2,001	586	2,001
Proceeds from issuance/ (redemption) of convertible bonds	(8,171)	(9,845)	(8,171)	(9,845)
Interest received	394	357	-	-
Interest paid	(613)	(1,595)	(80)	-
Net cash from/(used in) financing activities	(14,304)	(7,582)	(7,665)	(7,844)
Net increase/(decrease) in cash and cash equivalents	4,623	(3,917)	(78)	(612)
Cash and bank balances at beginning of year	6,682	10,631	118	772
Effect of foreign exchange rate changes in cash and bank balances	5	(32)	5	(42)
Cash and cash equivalents at end of year	11,310	6,682	45	118

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 has 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 2011 and 2012 are as follows:

	Earnings	Weighted average number of shares	Earnings per share
	RMB'000	'000	RMB
2012			
Basic	21,752	312,211	0.070
Diluted	21,752	320,291	0.068
2011			
Basic	22,044	285,860	0.077
Diluted	22,044	292,125	0.075

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:

	2012	2011
	'000	'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	312,211	285,860
Dilutive effect of EBT	8,080	6,265
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	320,291	292,125

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:

	2012	2011
	RMB'000	RMB'000
Profit for the year	21,752	22,044
Add back: EBT charge	2,207	3,474
	23,959	25,518

	Adjusted Earnings	Weighted average number of shares	Earnings per share
	RMB'000	'000	
2012			
Basic adjusted	23,959	312,211	0.077
Diluted adjusted	23,959	320,291	0.075
2011			
Basic adjusted	25,518	285,860	0.089
Diluted adjusted	25,518	292,125	0.087

At 31 December 2012, 2.96m warrants (2011: 2.96m) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of the warrants was based on quoted market prices for the period during which the warrants were outstanding.

4. Audit Report

The audit report for the year ended 31 December 2012 does not include any qualifications. The audit report contains an emphasis of matter, the details of which are set out below:-

"In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 3.2 relating the potential impairment of investment in Songyuan Laihe Chemicals Co., Limited ("Songyuan"). During 2012 Songyuan made losses, although during this period that company's plant was still being tested. The projections and the underlying assumptions that have been used to assess the value in use of the group's investment in Songyuan therefore cannot be corroborated by past performance. This fact, and the context of current market conditions, means that there is material uncertainty regarding the likelihood of those projection being achieved. The financial statements do not include any impairment of this investment."

5. Posting of accounts

The annual report for the financial year to 31 December 2012 will be distributed to all shareholders by 30 June 2013.

Enquiries:

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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.

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.