



China Energy Ltd.

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China Energy halves 4Q08 net loss in 1Q09

- Net cash inflow from operating activities stays around 1Q08's level of above RMB170 million
- Resilient business model gets vote of confidence from banks with new and extended loans
- DME outlook promising, reinforced by uptick in 1Q09 sales volume

SINGAPORE, 12 May 2009

FOR IMMEDIATE RELEASE

China Energy Limited (China Energy, the Group or 中国能源有限公司), the PRC's leading producer of dimethyl ether (DME) halved its net attributable loss to RMB55.6 million from 4Q08's RMB109.3 million for the first quarter ended 31 March 2009 (1Q09), thanks to the Group's strong DME sales volume and significant improvements at the gross margin level.

Sales of DME have been robust. The Group sold nearly 120,000 tonnes of DME in the first three months of the year, twice what it sold in 1Q08 and 24% more than 4Q08's 96,400 tonnes. This uptick in sales volume more than made up for the lower average selling prices and China Energy reported a 37% year-on-year (yoy) rise in 1Q09 sales to RMB336.3 million. The jump in sales was attributable to the Group's subsidiaries in Guangzhou, through its extended distribution network, and sales contributions from Zhangjiagang in 1Q09, which commenced its operation in 2Q08 as it was still under construction in 1Q08.

Mr Cui Lianguo, China Energy's Executive Chairman and Chief Executive Officer, said: "The increasingly strong take-up of DME underlines its immense potential as a viable 'green' alternative fuel and increasing acceptance of DME amongst LPG distributors. We are definitely in the right segment of the clean energy market and are working to widen the application of DME."

Continued effective working capital management resulted in net cash generated from operating activities of RMB172.2 million in 1Q09, close to the RMB176.0 million achieved in the previous corresponding quarter.



Added Mr Cui: “In April, the Group concluded the extension of tenure of an existing loan totalling approximately RMB352 million. We have also successfully opted for early rollover of RMB 60 million bank loans which were due for renewal in 2Q09 and 3Q09. In addition, we have also obtained a new loan of RMB100 million from a bank in the PRC. This is a clear endorsement and vote of confidence of our business and in China Energy, particularly in today’s trying operating environment.”

“In the face of the challenging environment, we will remain vigilant in managing our working capital and work towards strengthening our balance sheet.”

ABOUT THE COMPANY

www.chinaenergy.com.sg/

SGX mainboard listing: December 2006

China Energy Limited (China Energy), having pioneered the use of dimethyl ether (DME) as an alternative energy source in the PRC, is the market leader for DME. Today, the fuel is used as a blend stock for liquefied petroleum gas (LPG), but has the potential to completely replace LPG, natural gas and diesel and could eventually be applied to power generation.

China Energy’s patented dehydration technology, which allows DME to be produced at normal temperatures and pressures, tremendously decreases the capital expenditure required and translate into cost savings. This in turn increases scalability, enabling DME to move up the value chain from an aerosol propellant to become an alternative source of energy. As a result, DME is now sold to LPG distributors who blend the two fuels to improve the combustion properties as well as reduce the average cost before selling the blended product for industrial and household uses.

The PRC government has been searching for new alternative sources of energy to reduce air pollution and decrease its reliance on imported oil. As one of the cleanest alternative fuels, DME stands out as the answer to the PRC’s dilemma. National security concerns about its energy supply are also of crucial importance to the PRC, particularly when about 50% of its oil is imported. The PRC intends to capitalise on its sizeable coal reserves, the third-largest in the world, by transforming coal into clean and efficient energy for the household market (to replace LPG and natural gas) as well as the transportation industry (to replace diesel). DME, which can be produced from coal, thus makes an ideal fit.

The government displayed its support for DME as an alternative energy source by reducing the VAT on the fuel from 17% to 13%, the same rate levied on LPG. As a result, the mid- to long-term outlook for the DME market in the PRC is encouraging. Using China as its main platform to showcase DME as a viable alternative fuel, China Energy aims to take both its technology and production global.



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China Energy has progressively raised its DME capacity – from 50,000 mtpa when it started production in January 2004 to 900,000 mtpa today – and is well-positioned to capitalise on the surging energy market. The Group has existing DME production facilities in Linyi (Shandong), Guangzhou (Guangdong) and Zhangjiagang (Jiangsu).

FOR FURTHER ENQUIRIES

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