30 September 2014

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

Half-yearly report for the six months to 30 June 2014

China New Energy Limited (AIM: CNEL), the engineering and technology solutions provider to the bioenergy sector, announces its unaudited half-yearly results for the six months ended 30 June 2014.

Financial Highlights

- Total contractedamount for the period increased by 159.5% to RMB 49.57m (H1 2013: RMB 19.1m)
- Revenue for the period of RMB 16.4m (H1 2013: RMB 20.1m)
- Gross profit of RMB 2.98m (H1 2013: RMB 2.67m)
- Improved gross margin of 18.2% (H1 2013: 13.2%)
- Decreased loss for the financial period of RMB 4.55m (H1 2013: loss of RMB 5.39m)
- Loss per share of RMB 0.01425 (H1 2013: RMB 0.0097)

Operational Highlights

- Subscription of £594,766 by Hong Kong listed group China Best Group Holding Limited, for working capital to assist with current projects
- CNE entered into a second agreement with Ubon Bio Ethanol Co., Ltd for the building of a second biorefinery in Thailand, which is expected to commence in late 2014 or early 2015
- Sunbird Bioenergy Africa Limited is progressing planning negotiations Nigeria, with this project expected to start in 2015
- Contracts with a Hungarian company to build two biorefineries progressed to preparation of detailed executive plan and expected to be executed in 2015
- CNE terminated the proposed acquisition of BAPP Ethanol Holdings Limited after findings from due diligence
- ZKTY won the China Alcoholic Drinks Association's annual award for Science and Technology Improvement
- Current balance of order book stands at RMB 665m.

Yu Weijun, Chairman, commented:

"Our focus during the first half of the year was to develop our pipeline of international projects. In this respect, I am pleased to report that during the first half of 2014 our total contracted amount increased by 159.5%, when compared with the same period in 2013. We expect for work on our second bioethanol project in Thailand to commence this year or in early 2016. We continue to make progress in Europe and Africa and expect that planning consent for our projects in Hungary and Nigeria will be granted and that these projects will commence in 2015.

Looking further ahead, we remain confident that low-carbon biofuel will be a clear alternative to fossil fuel and that growth will return to the bioenergy sector. We continue to look to the long-term future with confidence."

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Chairman's Statement

On behalf of the Board, I am pleased to present CNE's unaudited half-yearly results for the six month period ended 30 June 2014.

Financial Review

Revenue for the first six months of the year decreased to RMB 16.4m (H1 2013: RMB 20.1m), while the Group's gross profit increased to RMB 2.98m (H1 2013: RMB 2.67m). The Group's loss for the financial period was also reduced to RMB 4.5m (H1 2013: RMB 5.4m). Due the cyclical nature of our business, historically we usually make a loss in the first half of the year as most projects are completed and paid for in the second half of the year.

Selling and distribution expenses decreased by 26.98% to RMB 1.38m (H1 2013: RMB 1.89m), while administrative expenses increased by 1.4% to RMB 5.22m (H1 2013: RMB 5.15m), as no incentives were granted to employees through the company's Employee Benefit Trust. The Group's other operating expenses increased to RMB 0.76m (H1 2013: RMB 0.72m). Finance expenses decreased by 49% to RMB 0.22m (H1 2013: RMB 0.43m), due to reduced debt.

Operational Review

In the first half of 2014, the Group secured several small contracts for its products and services in China's domestic market. The Group's total contracted amount rose by 159.5% to RMB 49.57m (H1 2013: RMB 19.1 million).

The successful completion of the Ubon Bio Ethanol Co., Ltd ("UBBE") project is a testament to the Group's ability to design and construct high quality cassava or molasses based ethanol production facilities. Based upon this successful project, UBBE has entered into a memorandum of understanding to commission a second project and additional auxiliary facilities within a two-year period. We are expecting for this project to commence in the second half of 2015 or the first half of 2016. The successful completion of this project has given CNE a key reference site, which has helped the Group to win new business opportunities in South East Asia and Africa, where there is abundance of inexpensive cassava feedstock.

In South East Asia, CNE secured two contracts in Burma during 2013, which were completed in H1 2014. The total contract value of these Burmese projects was RMB 18 million.

In Africa, our development partner, Sunbird Bioenergy, signed a letter of intent in 2013 with Nigeria's Federal Ministry of Agriculture and Rural Development to expand agricultural investment and operations in Nigeria, via the construction of 10 biorefineries in the country. Sunbird Bioenergy continues to make progress, despite being slowed by the Ebola outbreak, and is negotiating planning consent for their first flagship biorefinery in Edo State. This project is scheduled to commence in 2015.

At the end of last year, the Company entered into a memorandum of understanding to acquire BAPP Ethanol Holdings Limited ("BAPP"), a wholly owned subsidiary of Sino Distillery Group Limited. This proposed acquisition was intended to allow CNE to meet its stated strategic goal of expanding its core operation from an engineering, procurement and construction services provider to an operating company. However, findings from the legal and financial due diligence process determined that the completion of this transaction would have led to significant capital commitments for the Group, which would have required the Company to raise significant funds. Accordingly, the board decided to terminate acquisition discussions. We remain focused on our core strategy and delivering our existing project pipeline, but still believe that acquisitions may play a significant role in the Group's overall strategy in the future.

On 22 April, 2014, CNE's wholly owned subsidiary, Guangdong Zhongke Tianyuan New Energy Technology Co., Ltd ("ZKTY"), won the China Alcoholic Drinks Association's 2013 annual award for Science and Technology Improvement. This recognition was received in respect of the Group's patented Five-Tower Two-stage Differential Pressure Distillation Equipment & Process for Superfine-grade Edible Alcohol technology (Patent Number ZL 2007 1 0030550.8). This technology was designed for ZKTY's client Jilin Province New Tian Long Wine Co., Ltd and was installed at their commercial distillery which has an edible alcohol production capacity of 120,000 tonnes per year. This edible alcohol is blended with other products and is sold in the alcoholic drinks market across China.

Outlook

After the recent volatility in the global financial markets and the downturn in the bioethanol market, there is a risk that the Group may continue to face difficult trading conditions. As a result the Board maintains its cautious approach to business. Nevertheless, the Board remains positive about the Group's prospects and outlook within the biofuel industry.

Identifying new lines of business with recurring income remains a priority for management. During the first half of 2014, the Group conducted initial due diligence on a number of potential acquisitions that meet this criteria. The Board continues to seek M&A opportunities which have the potential to deliver recurring income and stable cash flows and will update the market in this respect as and when appropriate.

China is an important participant in the global 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 is widely considered to be one of the key alternatives to fossil fuel use, because of its easy acquisition and cleaner emissions. Our strategy is to craft core competence in the provision of the full spectrum of engineering and technology solutions for the renewable fuel and chemicals sector. We strive to provide superior technology and engineering solutions for the bioenergy and biochemical sectors, ranging from feedstock conversion through to end waste management, enabling producers in these sectors to achieve environmentally friendlier products and improve operating margins.

The global recession, especially in the U.S. and Europe, may further impede the resources available for research and development activities in our industry. The Group, however, intends to continue to channel its own resources into biofuel production research and development, by relying on our qualified staff and by collaborating with external institutions. Our collaboration partners include the Guangzhou Institute of Energy Conversion ("GIEC"), which is part of the Chinese Academy of Sciences. GIEC is a leading research institute in the PRC, which specialises in the research of alternative and renewable energy technologies. We believe our close long-term working relationship with GIEC will help us to commercialise our R&D faster and at a lower cost.

The Directors and management team are confident in the Group's outlook and are determined to position the Group for growth. To strengthen our market position and to add value to our existing business, the Group is also actively exploring opportunities to expand into complementary businesses or operations through acquisitions, joint ventures or strategic alliances.

While the Board maintains its cautious approach in view of the current global macro-economic conditions and a slowdown in demand for ethanol, the Group also continues to explore opportunities and negotiate new projects with prospective customers in the PRC and internationally.

Yu Weijun
Chairman

29 September 2014

Consolidated Statement of Financial Position

	Note	Unaudited Six months to 30 June 2014 RMB'000	Unaudited Six months to 30 June 2013 RMB'000	Audited Year to 31 December 2013 RMB'000
Non-current assets				
Property, plant and equipment		10,582	9,841	11,747
Intangible assets		6,500	4,935	6,392
Trade receivables		3,523	3,523	3,523
Investments in subsidiaries		150	30,950	150
		20,755	49,249	21,812
Current assets				
Inventories		22,313	8,564	15,689
Due from customers for construction contracts		45,676	89,769	48,516
Financial asset at fair value through profit and loss				
Trade and other receivables		44,495	54,762	42,249
Notes receivables		1,940	800	15,198
Cash and cash equivalents		15,053	10,965	11,310
		129,477	164,860	122,661
Current liabilities				
Trade and other payables		91,713	92,734	88,702
Due to customers for construction contracts		20,077	12,298	15,414
Notes payables		3,000	500	
Income tax payable		8,825	8,796	8,767
Short-term borrowing		6,600	6,600	6,600
Interest payable				
Convertible bonds			23,318	
		130,215	144,246	119,483
Net current (liabilities)/assets		(738)	20,614	3,178
Non-current liabilities				
Deferred tax liabilities		815	815	815
		815	815	815
Net (liabilities)/assets		19,202	69,048	24,175
Equity and reserves				
Share Capital	2	1,214	1,134	1,214
Share premium		49,118	39,171	49,118
Combination reserve		(33,156)	(33,156)	(33,156)
Warrants reserve		1,673	1,673	1,673
Statutory reserve		12,328	12,328	12,328
Convertible bonds reserve			6,549	
Own shares		(5,853)	(5,853)	(5,853)

Accumulated earnings/(losses)	(29,239)	22,567	(24,690)
Foreign currency translation reserve	23,118	24,635	23,541
	19,202	69,048	24,175

Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months to 30 June 2014 RMB'000	Unaudited Six months to 30 June 2013 RMB'000	Audited Year to 31 December 2013 RMB'000
Revenue		16,392	20,158	43,817
Cost of sales		(13,408)	(17,494)	(46,155)
Gross profit		2,983	2,664	(2,338)
Other operating income		63	102	1,147
Investment Income				
Selling and distribution expenses		(1,382)	(1,891)	(3,626)
Administrative expenses		(5,224)	(5,153)	(11,987)
Other operating expenses		(757)	(721)	(1,695)
Finance expenses		(222)	(432)	(995)
Bad debt(provision)/write back				(33,772)
Impairment loss on investment				(30,800)
Gain on redemption of bond				24,866
Profit/(loss) before income tax		(4,539)	(5,431)	(59,200)
Income tax expense		(10)	44	7
Profit/(loss) for the financial period		(4,549)	(5,387)	(59,193)
Other comprehensive income:				
Exchange difference		(424)	2,290	（1,196）
Total comprehensive income for the financial year		(4,973)	(3,097)	(57,997)
Total comprehensive income attributable to equity holder		(4,973)	(3,097)	(57,997)
Earnings/(loss) per share (RMB):				
Basic	4	(0.01425)	(0.0097)	(0.185)

Diluted	4	(0.01459)	(0.0097)	(0.190)

Consolidated Statement of Cash flows

	Unaudited Six months to 30 June 2014 RMB'000	Unaudited Six months to 30 June 2013 RMB'000	Audited Year to 31 December 2013 RMB'000
Operating activities			
Profit/(loss) before income tax	(4,549)	(5,431)	(59,200)
Adjustments for:			
Depreciation and amortisation	1,274	1,096	2,219
Administrative expenses - issue of shares to employees			
Bad debt written back			33,772
Loss/(gain) on disposal of property, plant and equipment		(242)	(223)
Loss/(gain) on disposal of financial assets			
Redemption of bond			(24,866)
Interest income	(24)	(119)	(153)
Finance expense	266	443	995
Impairment of investment			30,800
Operating cash flows before movements in working capital	(3,033)	(4,253)	(16,656)
Inventories	(6,615)	3,722	(3,412)
Construction work-in-progress	7,503	(1,164)	29,108
Trade and other receivables	(2,225)	(4,333)	(11,495)
Notes receivables	(940)	6,800	6,600
Trade and other payables	3,011	(3,167)	(1,117)
Notes payables	3,000	(2,562)	(5,404)
Deferred tax			
Cash generated from/(used in) operations	701	(4,957)	(2,376)
Income taxes paid	(10)	(224)	(246)
Dividend received			
Net cash from/(used in) operating activities	691	(5,181)	(2,622)
Investing activities			
Proceeds from disposal of property, plant and equipment			
Proceeds from trading financial assets			

Acquisition of property, plant and equipment	(8)		(2,956)
Acquisition of intangible assets	(209)		(1,831)
Payment for associated company in the course of acquisition			
Net cash from/(used in) investing activities	(217)		(4,787)
Financing activities			
Short-term borrowing		6,600	6,600
Proceeds from issuance of shares	-	-	10,027
Redemption of convertible bonds	-	-	-
interest received	-	-	-
Proceeds from issuance/ (redemption) of convertible bonds		(1,763)	(4,488)
Redemption of bonds		(7,506)	-
Interest received	24	119	153
Interest paid	(220)	(120)	(995)
Net cash from/(used in) financing activities	(196)	4,836	(11,297)
Net increase/(decrease) in cash and cash equivalents	278	(345)	3,888
Cash and bank balances at beginning of period	15,198	11,310	11,310
Effect of foreign exchange rate changes in cash and bank balances	(423)	-	
Cash and cash equivalents at end of period	15,053	10,965	15,198

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Combination	Statutory reserve	Convertible bonds reserve	Warrants reserve	Own shares	Accumulated earnings/ (losses)	Foreign currency translation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			RMB'000	RMB'000	RMB'000
Balance at 31 December 2012	1,134	39,171	-33,156	12,328	6,549	1,673	-5,853	27,954	22,345	72,145
Profit for the period	-	-	-	-	-	-	-	-59,193		-59,193
Exchange difference arising on the translation	-	-	-	-	-	-	-		1,196	1,196
Total comprehensive income for the period	-	-	-	-	-	-	-	-59,193	1,196	- 57,997
Issue of shares, net of share issue costs	80	9,947								10,027
Shares granted to Employee Benefit Trust										
Redemption of Bond					-6,549			6,549		
Balance at 31 December 2013	1,214	49,118	-33,156	12,328		1,673	-5,853	(24,690)	23,541	24,175
Profit for the period	-	-	-	-	-	-	-	-4,549		-4,549
Exchange difference arising on the translation	-	-	-	-	-	-	-		-424	-424
Total comprehensive income for the period	-	-	-	-	-	-	-	-4,549	-424	-4,973
Issue of warrants									-	-
Issue of shares, net of share issue costs	-	-							-	-
Shares granted to Employee Benefit Trust									-	-
Transfer to statutory reserve									-	-
Balance at 30 June2014	1,134	39,171	-33,156	12,328	6,549	1,673	-5,853	(29,239)	23,117	19,202

Notes to the Interim Financial Information - Period ended 30 June 2014

1. Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The principal accounting policies used in preparing the interim results are those the group expects to apply in its financial statements for the year ending 31 December 2014 and are unchanged from those disclosed in the group's Report and Financial Statements for the year ended 31 December 2013, except for the following additional accounting policies:

Basis of consolidation
The Group includes the assets and liabilities of the Employee Benefit Trust ("EBT") within its Statement of Financial Position. In the event of the winding up of the Group, neither the shareholders nor the creditors would be entitled to the assets of the EBT.

Long-term incentive scheme charge
The fair value of the employee services received in exchange for the grant of shares or share options is recognised as an expense.

The total amount to be expensed over the performance period, from grant date to vesting date, is determined by reference to the fair value of the shares determined at the date the employee is deemed to be fully aware of their potential entitlement and all conditions of vesting.

Own shares
Company shares held by the EBT are deducted from the shareholders' funds and classified as Own Shares until such time as they vest unconditionally to participating employees and their families.

This interim financial information has not been reviewed or audited by the Group's auditors. The comparatives for the period ended 31 December 2013 are not the Group's full statutory accounts for that period but have been extracted from those financial statements. A copy of the statutory financial statements for that period, which were prepared under IFRS, has been delivered to the Companies Registry. The auditors' report on those accounts was unqualified.

Whilst the financial information included in this Interim Financial information has been prepared in accordance with the recognition and measurement criteria of IFRS, it does not include sufficient information to comply with IFRS.

This interim report was approved by the Board of directors on 29 September 2014.

2. Ordinary shares

	Number of Shares	Share Capital		Share premium	
		£ '000	RMB '000	£ '000	RMB '000
As at 31st December 2010	6,733,107	67	1,013	1,952	29,354
As at 21st March 2011	67,331,070	67	1,013	1,952	29,354
As at 6 May 2011	269,324,280	67	1,013	1,952	29,354
Shares issued in connection with the Placing	9,360,147	2	24	653	6,756
Share issued in settlement of fees to professional	9,920,295	2	26	692	7,160
Share issued to EES Trustees International Limited	8,079,728	2	21	564	5,832
Shares issued to Citadel pursuant to warrant agreement	7,932,412	2	20	305	3,152
Placing on 14 Dec 2011	6,000,000	2	14	258	2,650
Less share issue costs	-		-		(16,303)
As at 31 December 2011	310,616,862		1,118		38,601
Placing on 25 Sept 2012	6,000,000	2	15	59	601
Less share issue costs				(3)	(31)

As at 31 December 2012	316,616,862		1,133		39,171
As at 30 June 2013	316,616,862		1,133		39,171
Placing on 4 Nov 2013	10,000,000	3	24	248	2,425
Less share issue costs				(17)	(171)
Placing on 25 Nov 2013	8,571,429	2	21	298	2,966
Less share issue costs				(21)	(209)
Placing on 26 Nov 2013	6,666,667	2	17	248	2,462
Placing on 29 Nov 2013	7,107,143	2	18	246	2,474
As at 31 December 2013	348,962,101		1,214		49,118
As at 30 June 2014	348,962,101		1,214		49,118
Total shares in issue	348,962,101				

The substantial shareholders have not changed from 31 December 2013. The Group has one class of ordinary shares which carry no right to fixed income.

3. Employee Benefit Trust

In accordance with the requirements of SIC 12 “Consolidation-special purpose entities” and IAS 32 “Financial Instruments: Presentation”, certain of the assets and liabilities of the EBT have been included in the company’s and Group’s accounts resulting in the inclusion of RMB 21,000 own shares and RMB 5,832,000 share premium. This represents shares held by the Employee Benefit Trust that had not vested to employees.

On 24 March 2011,the shareholders approved the establishment of the China New Energy Limited Employee Benefit Trust (the “EBT”) and the associated share scheme as part of the company’s employee incentive arrangements. The scheme provided for the issue of up to 8,079,728 shares to employees in respect of the one year ended 23 May 2012 for nil consideration.

As required by SIC 12-“Consolidation – Special Purpose Entities” and IAS 32 the EBT is included in the company’s and Group’s accounts, accordingly this shareholding of 8,079,728 ordinary shares is represented in the Statement of Changes In Equity as Own Shares (RMB 5,853,000).

4. Earnings per share

Earnings per share (“EPS”) on a basic and diluted basis are as follows:

Earnings per share (“EPS”) on a basic and diluted basis are as follows:

	Earnings	Weighted average number of shares	Earning per shares	Earnings	Weighted average number of shares	Earning per shares
	Six months	Six months	Six months	Six months	Six months	Six months
	to 30 June	to 30 June	to 30 June	to 30 June	to 30 June	to 30 June
	2014	2014	2014	2013	2013	2013
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Earnings/(loss)per share-basic	(4,973)	348,962,101	(0.01425)	(3,097)	316,616,862	(0.0097)

Potentially dilutive shares	-	-	-	-		-
Earnings/(loss)per share-diluted	(4,973)	348,962,101	(0.01459)	(3,097)	316,616,862	(0.0097)

5. Directors' interests

The following Directors have held office during the period and their interests as at 30 June 2014, all of which are beneficial unless otherwise stated, whether direct or indirect, of the Directors and their families in the issued share capital of the company and options over Ordinary Shares which had been granted, are as follows:

Director	Number of Ordinary Shares	Percentage of Ordinary Shares
Yu Weijun	90,932,440	26. 06%
Tang Zhaoxing	48,000,000	13.76%
Richard Bennett	-	-

6. Business Segment

The CNE Group's assets, liabilities and capital expenditure are almost entirely attributable to a single business segment of provision of technology and engineering services to ethanol, ethanol downstream product and biobutanol producers. Therefore, the CNE Group does not have separately reportable business segments under IFRS 8 *Segmental Reporting*. Nonetheless the CNE Group's revenue and results can be classified into the following streams:

a. EPC of plants producing ethanol and ethanol downstream products ("EPC activities"); and
b. Value-added and other value added services ("VAS") services.

Revenue	EPC	VAS	Total
	RMB'000	RMB'000	RMB'000
Unaudited six months to 30 Jun 2014	15,605	787	16,392
Unaudited six months to 30 Jun 2013	16,141	4,017	20,158
Year ended 31 Dec 2013	35,671	8,146	43,817
Results			
Unaudited six months to 30 Jun 2014	2,943	40	2,983
Unaudited six months to 30 Jun 2013	2,090	574	2,664
Year ended 31 Dec 2013	(3,285)	947	(2,338)