

28 September 2015

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

Half-yearly report for the six months to 30 June 2015

China New Energy Limited (AIM: CNEL), an engineering and technology solutions provider to the bioenergy sector, announces its unaudited half-yearly results for the six months ended 30 June 2015.

Financial Highlights

- Revenue of RMB 26.7m (H1 2014: RMB 16.4m)
- Gross profit of RMB 3.06m (H1 2014: RMB 2.98m)
- Net loss of RMB 5.54m (H1 2014: loss of RMB 4.55m)
- Loss per share of RMB 0.014 (H1 2014: RMB 0.014)

Yu Weijun, Chairman, commented:

“As previously commented, 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. For the remainder of this financial year, we will focus on biofuel development in developing countries and hope to secure new international contracts.

Looking ahead, we remain confident that low-carbon biofuel will be a clear alternative to fossil fuel and 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 very pleased to present the unaudited half-yearly results for the six month period ended 30 June 2015.

### Financial Review

Revenue for the first six months of the year was up to RMB 26.7m (H1 2014:RMB 16.4m) and the Group's gross profit increased to RMB 3.06m (H1 2014:RMB 2.98m). The net loss for the period under review was RMB 5.5m (H1 2014:RMB 4.5m). Due to the cyclical nature of our business, 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.

The first half of the year was challenging for the Group's core Equipment, Procurement and Construction ("EPC") business. This is mainly due to the continued depressed ethanol price and lower demand for ethanol related products during the period, which in-turn continues to delay the capital expenditure of ethanol producers.

Selling and distribution expenses increased by 63.0% to RMB 2.25m (H1 2014:RMB 1.38m) while administrative expenses decreased by 11.4% to RMB 4.63m (H1 2014:RMB 5.22m). The Group's other operating expenses increased to RMB 1.26m (H1 2014:RMB 0.76m). Finance expense increased by to RMB 0.51m (H1 2014:RMB 0.22m) due to short term borrowing debt, but as of the end of June, the borrowing was repaid to the bank.

### Operational Review

The Group principally provides EPC services and Value Added Services ("VAS") to ethanol and biobutanol producers. The EPC team primarily design and build commercial-scale biorefineries that convert feedstock into ethanol for both the biofuel and edible alcohol markets, whilst the VAS team provide services and technology to optimise the ethanol production at existing biorefineries.

CNE is a market leader in China at designing and building 1<sup>st</sup> Generation biorefineries that convert agricultural feedstock such as corn, cassava and sugarcane into ethanol. We have completed more than 100 1<sup>st</sup> Generation projects in China and around the world.

The market is evolving as our customers in developed nations seek to use cellulosic (non-food) feedstock such as corn stover and municipal waste in 2<sup>nd</sup> Generation biorefineries. It remains a priority for CNE to commercialise the 2<sup>nd</sup> Generation technology, as we believe this will stimulate demand for building new biorefineries in China and around the world.

In H1 2015, the Group secured several contracts for its products and services in China and Southeast Asia. The total contracted amount for the period was RMB 41.98m (H1 2014:RMB 49.57 million), 15.3% lower than the same period in 2014. During the period, CNE acquired a 24% stake in the Visontai Bioetanol Fejlesztő Korlátolt Felelősségű Társaság ("Visontai") bioenergy project that is being developing by Hungarian partners in Hungary.

We also continue to focus on our sales pipeline of EPC contracts, particular in South East Asia and Sub-Saharan Africa. CNE had signed a MOU with UBE who wanted to develop the second project in Thailand. To meet local environmental legislation, UBE is currently conducting an Environmental Impact Assessment ("EIA") for the new project and the influence of the lower oil price. CNE is waiting for the project to commence.

In Sub-Saharan Africa, CNE entered into a development partnership with Sunbird Bioenergy Africa ("Sunbird") in 2013 with the intention of developing an initial 120 million litre per year cassava-to-ethanol biorefinery in Nigeria with an additional 9 projects forecast across the region. In Nigeria, Sunbird and the local development partner OBAX World Wide Limited ("OBAX") reported that they have completed the land and agricultural survey and crop enumeration of the 20,000 Ha of land for the project and are awaiting the final certificate of occupancy from the Ministry of Agriculture and Rural Development. Sunbird and OBAX have met the conditions needed for the certificate of occupancy and expect it to be granted imminently. CNE reviewed Sunbird's project pipeline for the region and met with key stakeholders in Zambia and Zimbabwe. As in Thailand, employment and energy security were identified as the key drivers for bioenergy projects in the region. Sunbird has been awarded an investment license by the Zambian Development Agency for US\$150 million to build a cassava to ethanol biorefinery and cassava plantation. CNE is optimistic about tendering for a part of this business in due course.

### Outlook

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

China is an important participant in 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 a full spectrum of engineering technology for the renewable fuel and chemicals sector. We strive to provide superior technology and engineering solutions from feedstock conversion to end waste management for the bioenergy and biochemical sectors, enabling producers in these sectors to achieve environmentally friendlier products with improving operating margins.

The global recession, especially in the U.S. and Europe, may further impede the available resources 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 to carry out further research and development activities. Our collaboration partners include Guangzhou Institute of Energy Conversion (“GIEC”), part of the Chinese Academy of Sciences. GIEC is a leading research institute in the PRC that specialises in the research of alternative and renewable energy technologies. We believe our close long term working relationship with GIEC can help to commercialise our R&D much faster and at a lower cost.

While the Board maintains its cautious approach in view of the current global macro-economic conditions and a slowdown in demand for ethanol, the Directors and management team are optimistic for the Group’s long-term outlook and are determined to position the Group for growth. The Group also continues to explore opportunities and negotiate new projects in the PRC and overseas with prospective customers. 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.

Yu Weijun  
Chairman

## Consolidated Statement of Financial Position

		Unaudited	Unaudited	Audited
		As at	As at	As at
		30 June	30 June	31 December
		2015	2014	2014
	Note	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>				
Property, plant and equipment	3	6,995	10,582	7,900
Intangible assets	4	9,589	6,500	8,138
Trade receivables		3,523	3,523	3,523
Investments in subsidiaries		-	150	-
		<u>20,107</u>	<u>20,755</u>	<u>19,561</u>
<b>Current assets</b>				
Inventories		14,929	22,313	11,841
Due from customers for construction contracts		34,842	45,676	38,075
Trade and other receivables		58,412	44,495	44,667
Notes receivables		410	1,940	500
Cash and cash equivalents		13,802	15,053	14,875
		<u>122,395</u>	<u>129,477</u>	<u>109,958</u>
<b>Current liabilities</b>				
Trade and other payables		90,774	91,713	77,452
Due to customers for construction contracts		25,432	20,077	14,040
Notes payable		-	3,000	-
Income tax payable		9,208	8,825	8,776
Short-term borrowing		-	6,600	6,600
		<u>125,414</u>	<u>130,215</u>	<u>106,868</u>
<b>Net current assets/(liabilities)</b>		(3,019)	(738)	3,090
<b>Non-current liabilities</b>				
Deferred tax liabilities		815	815	815
		<u>815</u>	<u>815</u>	<u>815</u>
<b>Net assets</b>		<u>16,273</u>	<u>19,202</u>	<u>21,836</u>
<b>Equity</b>				
Share Capital	2	1,325	1,214	1,325
Share premium		54,925	49,118	54,925
Combination reserve		(33,156)	(33,156)	(33,156)
Warrants reserve		1,673	1,673	1,673
Statutory reserve		12,328	12,328	12,328
Own shares		-	(5,853)	-
Accumulated earnings/(losses)		(44,438)	(29,239)	(38,895)
Foreign currency translation reserve		23,616	23,117	23,636
<b>Total</b>		<u>16,273</u>	<u>19,202</u>	<u>21,836</u>

Consolidated Statement of Comprehensive Income

		Unaudited	Unaudited	Audited
		Six months to 30	Six months to 30	Year to 31
		June 2015	June 2014	December 2014
	Note	RMB'000	RMB'000	RMB'000
<b>Revenue</b>		<b>26,671</b>	<b>16,392</b>	<b>57,309</b>
Cost of sales		(23,609)	(13,409)	(53,010)
<b>Gross profit/(loss)</b>		<b>3,062</b>	<b>2,983</b>	<b>4,299</b>
Other operating income		53	63	323
Selling and distribution expenses		(2,252)	(1,382)	(3,200)
Administrative expenses		(4,629)	(5,224)	(11,517)
Other operating expenses		(1,263)	(757)	(1,857)
Finance expenses		(512)	(222)	(791)
Bad debt provision(net)		-	-	6,970
Impairment loss		-	-	(2,681)
(Loss)/ Profit before income tax		(5,541)	(4,539)	(8,454)
Income tax expense		-	(10)	(10)
		<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>(Loss)/Profit for the financial period</b>		<b><u>(5,541)</u></b>	<b><u>(4,549)</u></b>	<b><u>(8,464)</u></b>
Other comprehensive income:				
Exchange difference		<u>(21)</u>	<u>(424)</u>	<u>207</u>
Total comprehensive income for the financial year		<u>(5,562)</u>	<u>(4,973)</u>	<u>(8,257)</u>
<b>Total comprehensive income attributable to equity holder</b>		<b><u>(5,562)</u></b>	<b><u>(4,973)</u></b>	<b><u>(8,257)</u></b>
Earnings/(loss) per share (RMB):				
Basic	5	(0.014)	(0.014)	(0.023)
Diluted	5	<u>(0.014)</u>	<u>(0.015)</u>	<u>(0.023)</u>

## Consolidated Statement of Cash flows

	Unaudited Six months to 30 June 2015 RMB'000	Unaudited Six months to 30 June 2014 RMB'000	Audited Year to 31 December 2014 RMB'000
<b><i>Operating activities</i></b>			
Profit/(loss) before income tax	(5,541)	(4,549)	(8,454)
Adjustments for:			
Depreciation and amortisation	1,688	1,274	2,619
Bad debt provision(net)	-	-	(6,970)
Loss/(gain) on disposal of property, plant and equipment	-	-	2
Interest income	(25)	(24)	(92)
Finance expense	537	266	791
Impairment loss	-	-	2,681
Exchange difference	-	-	207
	<b>(3,341)</b>	<b>(3,033)</b>	<b>(9,216)</b>
<b><i>Operating cash flows before movements in working capital</i></b>			
Decrease/(increase) in inventories	(3,088)	(6,615)	2,826
Construction work-in-progress	14,625	7,503	10,283
Trade and other receivables	(13,745)	(2,225)	(9,125)
Notes receivables	90	(940)	
Trade and other payables	13,754	3,011	2,529
Decrease/(increase) in due to customers for construction	-	3,000	(809)
Cash generated from/(used in) operations	8,295	701	(3,512)
Income taxes paid	-	(10)	(10)
	<b>8,295</b>	<b>691</b>	<b>(3,522)</b>
<b><i>Net cash from/(used in) operating activities</i></b>			
<b><i>Investing activities</i></b>			
Purchase of property, plant and equipment	(158)	(8)	(71)
Expenditure on intangible assets	(2,076)	(209)	(1,949)
	<b>(2,234)</b>	<b>(217)</b>	<b>(2,020)</b>
<b><i>Financing activities</i></b>			
Short-term borrowing	-	-	6,600
Repayment of borrowings	(6,600)	-	(6,600)

Proceeds from issuance of shares	-	-	5,918
Redemption of convertible bonds	-	-	-
Interest received	24	24	92
Interest paid	(537)	(220)	(791)
<b><i>Net cash from/(used in) financing activities</i></b>	<b><u>(7,113)</u></b>	<b><u>(196)</u></b>	<b><u>(5,219)</u></b>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	<b>(1,052)</b>	<b>278</b>	<b>(323)</b>
Cash and bank balances at beginning of period	14,875	15,198	15,198
Effect of foreign exchange rate changes in cash and bank balances	(21)	(423)	
<b><i>Cash and cash equivalents at end of period</i></b>	<b><u><u>13,802</u></u></b>	<b><u><u>15,053</u></u></b>	<b><u><u>14,875</u></u></b>

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	RMB'000	RMB'000
<b>Balance at 31 December 2013</b>	<b>1,214</b>	<b>49,118</b>	<b>(33,156)</b>	<b>12,328</b>	-	<b>1,673</b>	<b>(5,853)</b>	<b>(24,690)</b>	<b>23,541</b>	<b>24,175</b>
Profit for the period	-	-	-	-	-	-	-	(8,464)	-	(8,464)
Exchange difference arising on the translation	-	-	-	-	-	-	-	-	207	207
Total comprehensive income for the period	-	-	-	-	-	-	-	(8,464)	207	(8,257)
Issue of shares, net of share issue costs	111	5,807	-	-	-	-	-	-	-	5,918
Shares granted to Cancellation of EBT	-	-	-	-	-	-	5,853	(5,741)	(112)	-
<b>Balance at 31 December 2014</b>	<b>1,325</b>	<b>54,925</b>	<b>(33,156)</b>	<b>12,328</b>	-	<b>1,673</b>	-	<b>(38,895)</b>	<b>23,636</b>	<b>21,836</b>
Profit for the period	-	-	-	-	-	-	-	(5,542)	-	(5,542)
Exchange difference arising on the translation	-	-	-	-	-	-	-	-	(20)	(20)
Total comprehensive income for the period	-	-	-	-	-	-	-	(5,542)	(20)	(5,562)
Issue of warrants	-	-	-	-	-	-	-	-	-	-
Issue of shares, net of share issue costs	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>1,325</b>	<b>54,925</b>	<b>(33,156)</b>	<b>12,328</b>	-	<b>1,673</b>	-	<b>(44,438)</b>	<b>23,616</b>	<b>16,273</b>

## 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 2015 and are unchanged from those disclosed in the group's Report and Financial Statements for the year ended 31 December 2014, 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 2014 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 28 September 2015.

## 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
Placing on 29 Sept 2014	44,652,107	11	111	584	5,807
As at 31 December 2014	393,614,208	-	1,325	-	54,925
As at 30 June 2015	393,614,208	-	1,325	-	54,925

The substantial shareholders have not changed from 31 December 2014. The Group has one class of ordinary shares which carry no right to fixed income.

### 3. Property, plant and equipment

	Plant and machinery RMB'000	Motor Vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
<b>Cost</b>					
At 1 January 2015	4,226	8,865	672	6,247	20,010
Additions	-	-	158	-	158
Disposals	-	-	-	-	-
At 30 June 2015	4,226	8,865	830	6,247	20,168
<b>Accumulated depreciation</b>					
At 1 January 2015	2,464	5,649	442	3,555	12,110
Charged for the year	349	622	86	6	1,063
Disposals	-	-	-	-	-
At 30 June 2015	2,813	6,271	528	3,561	13,173
<b>Carrying amount</b>					
<b>At 1 January 2015</b>	<b>1,762</b>	<b>3,216</b>	<b>230</b>	<b>2,692</b>	<b>7,900</b>
<b>At 30 June 2015</b>	<b>1,413</b>	<b>2,594</b>	<b>302</b>	<b>2,686</b>	<b>6,995</b>

#### 4. Intangible assets

	Computer software	Patents	Land management	Development cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>					
At 1 January 2015	60	1,283	3,613	4,208	9,164
Additions	-	132	-	1,944	2,076
Transfer	-	-	-	-	-
Balance at end of year	60	1,415	3,613	6,152	11,240
<b>Accumulated amortisation</b>					
At 1 January 2015	45	305	676	-	1,026
Amortisation for the year	3	79	235	308	625
Balance at end of year	48	384	911	308	1,651
<b>Carrying amount</b>					
<b>At 1 January 2015</b>	<b>15</b>	<b>978</b>	<b>2,937</b>	<b>4,208</b>	<b>8,138</b>
<b>At 30 June 2015</b>	<b>12</b>	<b>1,031</b>	<b>2,702</b>	<b>5,844</b>	<b>9,589</b>

#### 5. 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 to 30 June 2015	Six months to 30 June 2015	Six months to 30 June 2015	Six months to 30 June 2014	Six months to 30 June 2014	Six months to 30 June 2014
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Earnings/(loss)per share-basic	(5,562)	393,614,208	(0.014)	(4,973)	348,962,101	(0.014)
Potentially dilutive shares	-	-	-	-	-	-
Earnings/(loss)per share-diluted	(5,562)	393,614,208	(0.014)	(4,973)	348,962,101	(0.014)

## 6. Directors' interests

The following Directors have held office during the period and their interests as at 30 June 2015, 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	23.10%
Tang Zhaoxing	48,000,000	12.19%
Richard Bennett	-	-

## 7. 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:

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

	<b>EPC</b>	<b>VAS</b>	<b>Total</b>
<b>Revenue</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Unaudited six months to 30 Jun 2015	26,512	159	26,671
Unaudited six months to 30 Jun 2014	15,605	787	16,392
Year ended 31 Dec 2014	56,690	619	57,309
<b>Gross Profit</b>			
Unaudited six months to 30 Jun 2015	3,032	30	3,062
Unaudited six months to 30 Jun 2014	2,357	626	2,983
Year ended 31 Dec 2014	4,093	206	4,299