27 September 2013

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

Half-yearly report for the six months to 30 June 2013

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 2013.

Financial Highlights

- Revenue of RMB 20.1m (H1 2012: RMB 48.7m)
- Gross profit of RMB 2.67m (H1 2012: RMB 6.30m)
- Net loss of RMB 5.39m (H1 2012: loss of RMB 6.04m)
- Loss per share of RMB 0.0097 (H1 2012: RMB 0.019)

Operational Highlights

- Thailand UBBE project was transferred to owner and is now operating successfully
- LOI with Nigeria's Federal Ministry of Agriculture and Rural Development ("FMARD") to build 10 biorefineries in Nigeria

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. This financial year, CNE also invested considerable effort into completing the biorefinery project in Thailand and handing over the operations to our customer UBBE. I am proud of our achievement and this flagship project will serve as a reference site that we expect will help us secure new international contracts during the current financial year.

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 months period ended 30 June 2013.

## Financial Review

Revenue for the first six months of the year was down to RMB 20.1m (H1 2012:RMB 48.7m) and the Group’s gross profit was down to RMB 2.67m (H1 2012:RMB 6.3m).However the Net loss was also reduced to RMB 5.4m(H1 2012: RMB 6.04m). 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.

The first half of the year was challenging for the Group's core EPC (Equipment, Procurement and Construction) 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 rose by23.2% to RMB1.89m (H1 2012:RMB1.54m) while administrative expenses decreased by 37.6% to RMB 5.2m (H1 2012:RMB 8.3m) as no incentives were granted to employees through the company’s Employee Benefit Trust. The Group’s other operating expenses were up to RMB 0.7m (H1 2012:RMB0.6m).Finance expense decreased by 49%to 0.4m (H1 2012:0.8m) due to reduced debt.

## Operational Review

In H12013, the Group secured several small contracts for its products and services in China and Burma. The total contracted amount is RMB 19.1 million.

During the period, CNE invested considerable effort into completing the biorefinery project in Thailand and handing over the operations to our customer UBBE. The successful completion of their project is a testament to the Group’s ability to design and construct high quality cassava or molasses based ethanol production facilities. The Board believes that the Group’s customers consider the Group to be a reliable and suitable development partner and the Group is currently negotiating to provide further products and services to construct additional auxiliary facilities for UBBE.

We believe our success in completing this projectwill act as a reference and will strongly position the Group to capture market share in South East Asia and Africa where there is abundance of inexpensive cassava feedstock.

During the period, with our development partner Sunbird Bioenergy,the Groupsigned a letter of intent with Nigeria's Federal Ministry of Agriculture and Rural Development ("FMARD") to expand agricultural investment and operations in Nigeria to build 10 biorefineries in the country. Nigeria has committed to the World Economic Forum (WEF) that it will implement an Agricultural Transformation Agenda and create a new domestic farming industry, and cassava will be one of the primary products. CNE’s experience and reference project in Thailand enabled us to demonstrate to FMARD that we have the skills to develop a cassava-value chain that will produce profitable bioethanol from cassava. The Group continues to negotiate binding contracts in Nigeria and looks forward to updating shareholders in due course.

## Outlook

After the recent volatility 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.

It remains a priority for management to identify new lines of business with recurring income and during the period the Group has conducted due diligence on a number of potential acquisitions that meet this criteria. Whilst no transaction has currently been concluded, the Board will continue to seek substantial M&A opportunities that have the potential to deliver recurring income and stable cash flows.

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. Bioenergyis 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.

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 in the PRC and overseas with prospective customers.

Yu Weijun
Chairman

27 September 2013

Consolidated Statement of Financial Position

| | Note | Unaudited Six months to 30 June 2013 RMB'000 | Unaudited Six months to 30 June 2012 RMB'000 | Audited Year to 31 December 2012 RMB'000 |
|---|---|---|---|---|
| Non-current assets | | | | |
| Property, plant and equipment | | 9,841 | 9,208 | 11,245 |
| Intangible assets | | 4,935 | 4,649 | 4,760 |
| Trade receivables | | 3,523 | 3,523 | 3,523 |
| Investments in subsidiaries | | 30,950 | 1,700 | 30,950 |
| | | 49,249 | 19,080 | 50,478 |
| Current assets | | | | |
| Inventories | | 8,564 | 27,118 | 12,286 |
| Due from customers for construction contracts | | 89,769 | 74,598 | 86,832 |
| Financial asset at fair value through profit and loss | | | 160 | |
| Trade and other receivables | | 54,762 | 68,825 | 50,429 |
| Notes receivables | | 800 | - | 7,600 |
| Cash and cash equivalents | | 10,965 | 3,592 | 11,310 |
| | | 164,860 | 174,293 | 168,457 |
| Current liabilities | | | | |
| Trade and other payables | | 92,734 | 82,306 | 95,901 |
| Due to customers for construction contracts | | 12,298 | 19,404 | 10,525 |
| Notes payables | | 500 | 2,427 | 5,404 |
| Income tax payable | | 8,796 | 4,460 | 9,020 |
| Short-term borrowing | | 6,600 | 6,500 | |
| Interest payable | | | 2,325 | |
| Convertible bonds | | 23,318 | 30,252 | 25,081 |
| | | 144,246 | 147,674 | 145,931 |
| Net current (liabilities)/assets | | 20,614 | 26,619 | 22,525 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | | 815 | 909 | 859 |
| | | 815 | 909 | 859 |
| Net (liabilities)/assets | | 69,048 | 44,790 | 72,145 |
| Equity and reserves | | | | |
| Ordinary Share | 2 | 1,134 | 1,118 | 1,134 |
| Share premium | | 39,171 | 38,601 | 39,171 |
| Combination reserve | | (33,156) | (33,156) | (33,156) |
| Warrants reserve | | 1,673 | 1,673 | 1,673 |
| Statutory reserve | | 12,328 | 9,856 | 12,328 |
| Convertible bonds reserve | | 6,549 | 6,549 | 6,549 |
| Own shares | | (5,853) | (5,853) | (5,853) |

| | | | |
|---|---|---|---|
| Accumulated earnings/(losses) | 22,567 | 2,636 | 27,954 |
| Foreign currency translation reserve | 24,635 | 23,366 | 22,345 |
| | 69,048 | 44,790 | 72,145 |

Consolidated Statement of Comprehensive Income

| | Note | Unaudited<br>Six months to 30 June 2013<br>RMB'000 | Unaudited<br>Six months to 30 June 2012<br>RMB'000 | Audited<br>Year to 31 December 2012<br>RMB'000 |
|---|---|---|---|---|
| Revenue | | 20,158 | 48,693 | 146,154 |
| Cost of sales | | (17,494) | (42,390) | (120,177) |
| Gross profit | | 2,664 | 6,303 | 25,977 |
| Other operating income | | 102 | 322 | 24,435 |
| Investment Income | | | (1,427) | |
| Selling and distribution expenses | | (1,891) | (1,535) | (3,394) |
| Administrative expenses | | (5,153) | (8,261) | (16,922) |
| Other operating expenses | | (721) | (609) | (1,490) |
| Finance expenses | | (432) | (848) | (2,359) |
| Change in fair value of held for sale investments | | | 13 | |
| Profit/(loss) before income tax | | (5,431) | (6,043) | 26,247 |
| Income tax expense | | 44 | 4 | (4,495) |
| Profit/(loss) for the financial period | | (5,387) | (6,038) | 21,752 |
| Other comprehensive income: | | | | |
| Exchange difference | | 2,290 | (327) | （1,348） |
| Total comprehensive income for the financial year | | (3,097) | (6,365) | 20,404 |
| Total comprehensive income attributable to equity holder | | (3,097) | (6,365) | 20,404 |
| Earnings/(loss) per share (RMB): | | | | |
| Basic | 4 | (0.0097) | (0.019) | 0.070 |
| Diluted | 4 | (0.0097) | (0.019) | 0.068 |

Consolidated Statement of Cash flows

| | Unaudited | Unaudited | Audited |
|---|---|---|---|
| | Six months to 30 June | Six months to 30 June | Year to 31 December |
| | 2013 | 2012 | 2012 |
| | RMB'000 | RMB'000 | RMB'000 |
| *Operating activities* | | | |
| Profit/(loss) before income tax | (5,431) | (6,042) | 26,247 |
| Adjustments for: | | | |
| Depreciation and amortisation | 1,096 | 986 | 2,104 |
| Administrative expenses - issue of shares to employees | | 2,207 | 2,207 |
| Bad debt written back | | | (19,105) |
| Loss/(gain) on disposal of property, plant and equipment | (242) | | 70 |
| Loss/(gain) on disposal of financial assets | | | 924 |
| Fair value gain | | | |
| Interest income | (119) | (269) | (394) |
| Finance expense | 443 | 1,126 | 1,435 |
| Impairment of investment | | | 750 |
| *Operating cash flows before movements in working capital* | (4,253) | (1,992) | 14,238 |
| Inventories | 3,722 | (3,763) | 11,068 |
| Construction work-in-progress | (1,164) | 27,993 | 6,880 |
| Trade and other receivables | (4,333) | (14,867) | (6,549) |
| Notes receivables | 6,800 | 3,150 | (4,450) |
| Trade and other payables | (3,167) | (10,382) | (4,900) |
| Notes payables | (2,562) | (2,298) | 679 |
| Deferred tax | | | |
| Cash generated from/(used in) operations | (4,957) | (2,159) | 16,966 |
| Income taxes paid | (224) | (169) | (182) |
| Dividend received | | | |
| *Net cash from/(used in) operating activities* | (5,181) | (2,328) | 16,784 |
| *Investing activities* | | | |
| Proceeds from disposal of property, plant and equipment | | | 6,257 |
| Proceeds from trading financial assets | | 7,022 | |
| Acquisition of property, plant and equipment | | (278) | (3,375) |

| | | | | |
|---|---|---|---|---|
| Acquisition of intangible assets | | | | (739) |
| Payment for associated company in the course of acquisition | | | | |
| *Net cash from/(used in) investing activities* | | | 6,744 | (2,143) |
| *Financing activities* | | | | |
| Short-term borrowing | 6,600 | | - | 6,500 |
| Proceeds from issuance of shares | - | | - | 586 |
| Redemption of convertible bonds | - | | - | - |
| interest received | - | | - | - |
| Proceeds from issuance/ (redemption) of convertible bonds | (1,763) | | - | (8,171) |
| Redemption of bonds | | | (7,506) | - |
| Interest received | 119 | - | - | 394 |
| Interest paid | (120) | - | - | (613) |
| *Net cash from/(used in) financing activities* | 4,836 | | (7,506) | (14,304) |
| *Net increase/(decrease) in cash and cash equivalents* | (345) | | (3,090) | 4,623 |
| Cash and bank balances at beginning of period | 11,310 | | 6,682 | 6,682 |
| Effect of foreign exchange rate changes in cash and bank balances | - | | - | 5 |
| *Cash and cash equivalents at end of period* | 10,965 | | 3,592 | 11,310 |

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 2011 | 1,118 | 38,601 | -33,156 | 9,856 | 6,549 | 1,673 | -5,853 | 6,467 | 23,693 | 48,948 |
| Profit for the period | - | - | - | - | - | - | - | 21,752 | | 21,752 |
| Exchange difference arising on the translation | - | - | - | - | - | - | - | | -1,348 | -1,348 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | 21,752 | -1,348 | 20,404 |
| Issue of warrants | | | | | | | | | - | - |
| Issue of shares, net of share issue costs | 16 | 570 | | | | | | | - | 586 |
| Shares granted to Employee Benefit Trust | | | | | | | | 2,207 | - | 2,207 |
| Transfer to statutory reserve | | | | 2472 | | | | -2,472 | - | - |
| 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 | - | - | - | - | - | - | - | -5,387 | | -5,387 |
| Exchange difference arising on the translation | - | - | - | - | - | - | - | | 2,290 | 2,290 |
| Total comprehensive income for the period | - | - | - | - | - | - | - | -5,387 | 2,290 | -3,097 |
| Issue of warrants | | | | | | | | | - | - |
| Issue of shares, net of share issue costs | - | - | | | | | | | - | - |
| Shares granted to Employee Benefit Trust | | | | | | | | | - | - |
| Transfer to statutory reserve | | | | | | | | | - | - |
| Balance at 30 June2013 | 1,134 | 39,171 | -33,156 | 12,328 | 6,549 | 1,673 | -5,853 | 22,567 | 24,635 | 69,048 |

Notes to the Interim Financial Information - Period ended 30 June 2013

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 2013 and are unchanged from those disclosed in the group's Report and Financial Statements for the year ended 31 December 2012, 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 2012 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 27 September 2013.

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 |
| | | | |
| Total shares in issue | 316,616,862 | | |

The substantial shareholders have not changed from 31 December 2012.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.

Income statement change

| | Unaudited<br>Six months to 30 June 2013<br>RMB'000 | Unaudited<br>Six months to 30 June 2012<br>RMB'000 | Audited<br>Year to 31 December 2012<br>RMB'000 |
|---|---|---|---|
| Original scheme | | 2,207 | 2,207 |
| | | 2,207 | 2,207 |

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 |
| | 2013 | 2013 | 2013 | 2012 | 2012 | 2012 |
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Earnings/(loss)per share-basic | (3,097) | 316,616,862 | (0.0097) | (6,038) | 316,616,862 | (0.019) |
| Potentially dilutive shares | - | - | - | - | | - |
| Earnings/(loss)per share-diluted | (3,097) | 316,616,862 | (0.0097) | (6,038) | 316,616,862 | (0.019) |

5. Directors' interests

The following Directors have held office during the period and their interests as at 30June 2013, 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 | 28.72% |
| Tang Zhaoxing | 48,000,000 | 15.16% |
| Chen Yong | - | - |
| 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.

| | EPC | VAS | Total |
|---|---|---|---|
| Revenue | RMB'000 | RMB'000 | RMB'000 |
| Unaudited six months to 30 Jun 2013 | 16,141 | 4,017 | 20,158 |
| Unaudited six months to 30 Jun 2012 | 40,976 | 7,717 | 48,693 |
| Year ended 31 Dec 2012 | 144,450 | 1,704 | 146,151 |
| Results | | | |
| Unaudited six months to 30 Jun 2013 | 2,090 | 574 | 2,664 |
| Unaudited six months to 30 Jun 2012 | 6,219 | 84 | 6,303 |
| Year ended 31 Dec 2012 | 26,759 | （782） | 25,977 |