19 September 2017

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

Half-yearly report for the six months to 30 June 2017

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 2017.

Financial Highlights

- Revenue of RMB 68.76m (£7.73m) (H1 2016: RMB 45.4m (£5.11m)), which represents a 51% increase over the same period last year
- Gross profit of RMB 16.6m (£1.87m) (H1 2016: RMB 16.2m (£1.82m))
- Net Profit of RMB 10.6m (£1.19m) (H1 2016: RMB 11.3m (£1.27m))
- Earnings per share of RMB 0.023 (0.26p) (H1 2016 RMB 0.029 (0.33p))

RMB8.89: GBP £1 used as an indicative exchange rate.

Yu Weijun, Chairman, commented:

“I am very pleased to report that, based on contracts from China, the Company has had its third successive profitable half year and is demonstrating a return to sustained profitability. The bioenergy industry still faces many headwinds due to the low-oil price, however, regulatory changes are helping drive our domestic business. The company has a current order book and work in progress of RMB 255 million (c. £28.7m) to be fulfilled in 2017/18, and I am optimistic that the business outlook is for sustained revenue growth.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Enquiries:

China New Energy Limited	www.chinanewenergy.co.uk
Richard Bennett	Tel: +44 (0)20 7148 3148 or rbennett@zkty.com.cn
Nick Brooks	Tel: +44 (0) 7920 060218 or nbrooks@zkty.com.cn
Derek Cen	Tel: +86 (0)20 8705 8986 or cendl@zkty.com.cn
Cairn Financial Advisers LLP (NOMAD)	Tel: +44 20 7213 0880
Jo Turner / Sandy Jamieson	
Daniel Stewart and Co (Broker)	Tel: +44 20 7776 6550
David Lawman	

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 2017.

Financial Review

Revenue for the first six months of the year has grown to RMB 68.76m (H1 2016: RMB 45.4m), an increase of approximately 51%. A significant driver of the increase in revenue was the change of rules pertaining to the types of feedstock that may be used to produce ethanol in China, which stimulated new orders from existing clients including Jilin Boda and COFCO. The Company’s order book is currently RMB 255m of which RMB 41m is carried forward from 2016 and the remainder is new orders in H1 2017 that are expected to be fulfilled in 2017 and 2018.

The Group’s gross profit also increased in the period to RMB 16.6m (H1 2016: RMB 16.2m) which resulted in the Group returning a net profit in the period of RMB 10.6m (H1 2016: RMB 11.3m). The gross margin has decreased to 24.1% from 35.8%, which the board believes is temporary and specifically relates to competitive bidding on the COFCO contract.

Selling and distribution expenses increased by 30% to RMB 3.1m (H1 2016: RMB 2.39m) while administrative expenses decreased by 47% to RMB 2.5m (H1 2016: RMB 4.76m). The Group’s other income was RMB 0.7m (H1 2016: RMB 2.89m). The other expenses were RMB 0.68m (H1 2016: RMB 0.55m). Finance expense increased to RMB 0.4m (H1 2016: RMB 0.14m).

Operational Review

CNE is a market leader in China at designing and building biorefineries that convert agricultural feedstock such as corn, cassava and sugarcane into ethanol. We have completed more than 180 projects in China and around the world. The Group principally provides EPC (Equipment, Procurement and Construction) services and VAS (Value Added Service) to ethanol and biobutanol producers. The EPC team primarily designs and builds 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.

As a result of recent policy changes that allows approximately 300 million tonnes of accumulated agricultural feedstocks to be converted to ethanol and animal feed, China currently represents the largest potential market for the Group. This provides an immediate opportunity for alcohol and fuel ethanol producers to increase their production capacity and expand their production. As a leading provider of bioenergy technology in China, the Group expects to bid for more upcoming contracts with existing clients and domestic ethanol producers including COFCO Group, Jilin Boda Biochemical Company, Inner Mongolia Liniu Biochemical Group.

To meet this market growth, during the first half of the year the Group recruited more than 20 technicians and engineers to fulfil the current and anticipated future orders.

The Group’s strategy remains to diversify into international markets. However, progress is slower than anticipated including contracts already won and most, notably, the Group is still awaiting a project start date from the Supercare Group in Ghana. Elsewhere in sub-Sharan Africa, Sunbird Bioenergy Africa ("Sunbird”) continues to make progress with their projects and reaffirmed their commitment to developing an ethanol project in Zambia at the Luapula Investment Conference in July. CNE remains optimistic about tendering for the ethanol distillery and associated plant in due course, and will update the market as contractual developments take place.

Corporate Development.

With the return to profitability, the Directors are reviewing a number of initiatives to support the continued growth of the Group and the value created is reflected in the share price. These include:

- Implementing a share option scheme to attract, retain and motivate new and current employees
- Strategic acquisitions
- Requesting shareholder permission by way of an EGM to use free cash for a share buy-back program

Outlook

After the downturn in the bioenergy market in the past few years, we are beginning to see an increased demand for our products and services. This is attributed to the economic recovery in the industry and the change of rules pertaining to ethanol feedstock usage in China.

China remains an important participant in the global energy market and is very focussed on delivering renewable energy to both reduce emissions and increase energy security and reliance on importing fossil fuels. We note the country recently signed the Paris Climate Change Agreement, and also announced its intention to rollout a national ethanol-fuel blending (E10) program. Ethanol is widely considered to be one of the key alternatives to fossil fuel and a pathway to lower emissions.

The company intends to continue its research and development activities in partnership with institutions including Guangzhou Institute of Energy Conversion (“GIEC”), part of the Chinese Academy of Sciences, to commercialise advanced alternative and renewable energy technologies for the bioenergy market.

Internationally, we continue to promote our products and services through our partners. We continue to see an interest in our existing 1st generation bioenergy technology in emerging markets such as Africa and South East Asia. We also see an increased interest in 2nd generation bioenergy technology in developed markets which is also being aided by changes in the regulatory environment to support biofuel production.

The Board are very pleased with our current progress and profitability. The board is also confident about the increased interest in the bioenergy sector and our pipeline of sales opportunities. However, we continue to maintain a cautious business approach due to the macro-economic climate and continued low-oil prices.

Yu Weijun
Chairman

19 September 2017

Consolidated Statement of Financial Position

	Note	Unaudited Six months to 30 June 2017 RMB'000	Unaudited Six months to 30 June 2016 RMB'000	Audited Year to 31 December 2016 RMB'000
Non-current assets				
Property, plant and equipment		3,905	4,921	4,774
Intangible assets		14,858	12,107	14,541
Trade receivables				
Investments in subsidiaries				
		18,763	17,028	19,315
Current assets				
Inventories		8,527	7,576	3,438
Due from customers for construction contracts		52,703	29,796	35,713
Trade and other receivables		154,201	97,524	73,217
Notes receivables				
Cash and cash equivalents		12,917	19,918	13,854
		228,348	154,814	126,222
Current liabilities				
Trade and other payables		128,923	104,143	91,976
Due to customers for construction contracts		88,107	46,777	30,215
Provision for liabilities				10,000
Income tax payable		8,797	8,783	8,776
Short-term borrowing				
		225,827	159,703	140,967
Net current assets/(liabilities)		2,521	(4,922)	(14,745)
Non-current liabilities				
Deferred tax liabilities				
Net assets		21,284	12,106	4,570
Equity				
Share Capital	3	1,541	1,445	1,441
Share premium		68,805	63,208	62,905
Combination reserve		(33,156)	(33,156)	(33,156)
Warrants reserve			1,673	
Statutory reserve		12,328	12,328	12,328
Convertible bonds reserve				
Own shares				
Accumulated earnings/(losses)		(52,458)	(57,028)	(63,039)
Foreign currency translation reserve		24,224	23,636	24,091
		21,284	12,106	4,570

Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months to 30 June 2017	Unaudited Six months to 30 June 2016	Audited Year to 31 December 2016
		RMB'000	RMB'000	RMB'000
Revenue		**68,760**	**45,369**	**78,584**
Cost of sales		(52,191)	(29,123)	51,586
Gross profit/(loss)		**16,569**	**16,246**	**26,998**
Other operating income		732	2,888	3,204
Selling and distribution expenses		(3,100)	(2,391)	(4,868)
Administrative expenses		(2,539)	(4,756)	(7,576)
Other operating expenses		(676)	(554)	(9,696)
Finance expenses		(403)	(138)	(1,494)
Bad debt provision(net)		(2)		(2,715)
Impairment loss				(242)
Other gains and losses				
(Loss)/ Profit before income tax		10,581	11,295	3,611
Income tax expense				
Deferred tax expenses				
(Loss)/Profit for the financial period		**10,581**	**11,295**	**3,611**
Other comprehensive income:				
Exchange difference		133	189	405
Total comprehensive income for the financial year		10,714	11,484	4,106
Total comprehensive income attributable to equity holder		10,714	11,484	4,106
Earnings/(loss) per share (RMB):				
Basic	6	0.023	0.029	0.009
Diluted	6	0.023	0.029	0.009

Consolidated Statement of Cash flows

	Unaudited Six months to 30 June 2017 RMB'000	Unaudited Six months to 30 June 2016 RMB'000	Audited Year to 31 December 2016 RMB'000
Operating activities			
Profit/(loss) before income tax	10,581	11,295	3,611
Adjustments for:			
Depreciation and amortisation	(1,272)	(349)	2,565
Bad debt provision(net)			
Loss/(gain) on disposal of property, plant and equipment		(26)	1,548
Loss/(gain) on disposal of financial assets			(2,359)
Interest income	(27)	(27)	(55)
Finance expense	535	562	537
Impairment loss			(124)
Exchange difference	(133)	(50)	405
Operating cash flows before movements in working capital	**12,521**	**11,405**	**6,128**
Decrease/(increase) in inventories	(5,089)	2,362	6,258
Construction work-in-progress	(16,990)	19,211	(5,473)
Trade and other receivables	(80,984)	(54,372)	(23,745)
Notes receivables		444	
Trade and other payables	26,947	13,986	8,466
Decrease/(increase) in due to customers for construction	57,892		2,649
Cash generated from/(used in) operations	(5,703)	(6,964)	5,717
Income taxes paid	21	7	
Dividend received			
Net cash from/(used in) operating activities	**(5,682)**	**(6,957)**	**5,717**
Investing activities			
Proceeds from disposal of property, plant and equipment			
Purchase of property, plant and equipment	(139)	1,694	(1,965)
Expenditure on intangible assets	(581)	(310)	(3,701)
Net cash from/(used in) investing activities	**(720)**	**1,384**	**(5,666)**
Financing activities			

Short-term borrowing			
Repayment of borrowings			
Proceeds from issuance of shares	6,000	6,600	6,293
Redemption of convertible bonds		-	
Interest received		27	55
Interest paid	(535)	(562)	(537)
Net cash from/(used in) financing activities	5,465	6,065	(5,811)
Net increase/(decrease) in cash and cash equivalents	(937)	492	5,572
Cash and bank balances at beginning of period	13,854	19,426	19,426
Effect of foreign exchange rate changes in cash and bank balances			
Cash and cash equivalents at end of period	12,917	19,918	13,854

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Combination	Statutory 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
Balance at 31 December 2015	1,357	56,696	(33,156)	12,328	1,673		(68,323)	23,686	(5,739)
Profit for the period	-	-	-	-	-	-	3,611		3,611
Exchange difference arising on the translation	-	-	-	-	-	-		405	405
Transfer warrant reserve					(1,673)		1,673		
Total comprehensive income for the period	-	-	-	-	(1,673)	-	5,284	405	4,016
Issue of shares, net of share issue costs	84	6,209							6,293
Shares granted to Cancellation of EBT									
Balance at Dec. 2016	1,441	62,905	-33,156	12,328			(63,039)	24,091	4,570
Profit for the period	-	-	-	-	-	-	10,581		10,581
Exchange difference arising on the translation	-	-	-	-	-	-		133	133
Total comprehensive income for the period	-	-	-	-	-	-	10,581	133	10,714
Issue of warrants								-	-
Issue of shares, net of share issue costs	100	5,900						-	6,000
Transfer to statutory reserve								-	-
Balance at 30 June 2017	1,445	63,208	-33,156	12,328	1,673		(57,028)	23,636	21,284

Notes to the Interim Financial Information - Period ended 30 June 2017

1. General information

The Group (or "CNE") with registration number 93306 was incorporated in Jersey on 2 May 2006 as an investment holding Group. The Group is domiciled in Jersey with its registered office at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES.

The principal activities of its 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.

The principal place of business is located at No 4, Nengyuan Road, Wushan, Tianhe District, Guangzhou, People's Republic of China ("PRC").

2. 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 2017 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ended 31 December 2016, 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 2016 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 19 September 2017.

3. Ordinary shares

	Number of Shares	Share Capital		Share premium	
		£ '000	RMB '000	£ '000	RMB '000
As at 30 December 2016	444,447,541		1,445		63,208
Placing on 22 March 2017	46,808,809	12	100	690	5,900
As at 30 June 2017	491,256,350		1,541		68,805

The substantial shareholders have not changed from 30 June 2017 we outlined in the annual report.The Group has one class of ordinary shares which carry no right to fixed income.

4. Property, plant and equipment

	Plant and machinery RMB'000	Motor Vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
As at 30 June 2017					
Cost					
At 1 January 2017	3,227	8,391	834	6,247	18,699
Additions	131	-	8	-	138
Disposals	-		-		
At 30 June 2017	3,358	8,391	842	6,247	18,837
Accumulated depreciation					
At 1 January 2017	2,803	6,901	604	3,617	13,925
Charged for the year	143	689	28	147	1,007
Disposals	-		-	-	
At 30 June 2017	2,946	7,590	632	3,764	14,932
Carrying amount					
At 1 January 2017	424	1,490	230	2,630	4,774
At 30 June 2017	412	801	209	2,483	3,905

5. Intangible assets

	Computer software RMB'000	Patents RMB'000	Technology Knowhow RMB'000	Land use management RMB'000	Development cost RMB'000	Total RMB'000
Cost						
Balance at beginning of year	60	6,936		3,613	5,865	16,474
Additions	-	581	-	-		581
Transfer						
Balance at end of year	60	7,517	-	3,613	5,865	17,055
Accumulated amortisation						
Balance at beginning of year	57	1,034		842	-	1,933
Amortisation for the year		(232)	-	(32)		(264)

Balance at end of year	57	1,266	-	874		2,197
Carrying amount						
As at 31 Dec 2016	3	5,902	-	2,771	5,865	14,541
As at 30 June 2017	3	6,251	-	2,739	5,865	14,858

6. 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
	2017	2017	2017	2016	2016	2016
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Earnings/(loss)per share-basic	10,714	470,348,415	0.023	11,484	401,723,797	0.029
Potentially dilutive shares	-	-	-	-		-
Earnings/(loss)per share-diluted	10,714	470,348,415	0.023	11,484	401,723,797	0.029

7. Directors' interests

The following Directors have held office during the period and their interests as at 30 June 2017, 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	18.51%
Tang Zhaoxing	48,000,000	9.77%
Nicholas Brooks	105,000	0.02%
Richard Bennett	-	-

8. Business Segment

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's revenue breakdown by geographical location is determined based on its customers' country of incorporation. The Group's cost of sales and operating expenses are aggregated on a cumulative basis and are not attributable to specific geographical regions. Therefore, a breakdown of gross profit for the financial years by geographical regions is not shown.

Geographical Segment
Revenue

	6 months ended	
	30 June 2017	**30 June 2016**
	RMB'000	**RMB'000**
PRC	66,986	37,167
Thailand	93	
Canada	1,681	8,202
	68,760	45,369

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*.