

30 September 2016

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

Half-yearly report for the six months to 30 June 2016

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 2016.

Financial Highlights

- Revenue of RMB 45.4m (H1 2015: RMB 26.7m), which represents a 70% increase over the same period last year
- Gross profit of RMB 16.2m (H1 2015: RMB 3.06m)
- Net Profit of RMB11.3m (H1 2015: loss of RMB5.54m)
- Earnings per share of RMB 0.029 (H1 2015 loss of RMB 0.014)

Operational Highlights

- Maintenance and construction contracts secured in China in 2015 are being implemented and generating revenue
- Canadian contract in process of implementation and will be finalised in Q2

Yu Weijun, Chairman, commented:

“I am very pleased to report that the Company has made a profit in the first half of the year based upon contracts in from China, Myanmar and Canada that were secured in 2015 for implementation in 2016.

The bioenergy industry still faces many headwinds due to the low-oil price. However, our revised strategy is beginning to gain traction in both China and international markets and we look forward to continued successes.”

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

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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 2016.

Financial Review

Revenue for the first six months of the year was up to RMB 45.4m (H1 2015:RMB 26.7m) an increase of approximately 70%. The Group's gross profit also increased in the period RMB 16.2m (H1 2015:RMB 3.06m) which resulted in the Group returning a net profit in the period of RMB 11.3m (H1 2015: loss of RMB 5.5m).

Selling and distribution expenses increased by 6.2% to RMB2.39m (H1 2015:RMB2.25m) while administrative expenses increased by 2.7% to RMB 4.76m (H1 2015: RMB 4.63m). The Group's other income were up to RMB 2.89m (H1 2015:RMB0.05m). The other expenses decreased by 56% to RMB 0.55m (H1 2015:RMB1.26m). Finance expense decreased to RMB0.14m (H1 2015:0.51m).

The turnaround from loss to profit is mostly attributed to a higher gross margin and to the continued implementation of contracts in China, Myanmar and Canada that were won in 2015.

Operational Review

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.

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

During the period, we completed an anhydrous alcohol EPC contract for our existing customer Jilin Buoda alcohol group with recorded revenue from this contract of RMB 10.6 million. The Company also won its first contract in Canada with BioNeutra North America Inc. and, during the period, manufactured and exported all of the equipment needed for the isomaltooligosaccharide production line. The total contract value was RMB 14.4 million (Excluding VAT:12.3 million) and we recorded revenue of RMB 8.2 million during the period. We are very pleased to advise that post period end, the equipment has now been installed and is being tested and we have now received more than 80% of the contract value as per the agreement. The project will be completed in H2.

These two top contracts constitute 42% of our total revenue, and the remaining revenue came from approximately 30 smaller maintenance and construction contracts in China and Myanmar.

The Company continues to maintain our cooperation with South China University of Technology and SDIC Guangdong Bio-Energy Co., Ltd. We jointly undertake research and development projects including a project to advance 2nd generation pre-treatment technology that converts cellulosic (non-food) feedstock into bioethanol. This research project has been approved and funded by a grant from the Guangdong Provincial Department of Science and Technology. The company has received its full allocation of RMB 3.5 million which was recorded as other operating income.

Outlook

After a long downturn in the bioenergy market, mostly due the low oil price, we are beginning to see an increase demand for our products and services. This is attributed to the implementation of our strategy to diversify our product and service portfolio and to market to them to both domestic and international customers.

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 we are optimistic that we will see an increased interest in biotechnology because it 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 increased 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 encouragement of 2nd generation biofuel and regulatory changes are a very welcome events as these help break down the inverse relationship between investment in biofuels and oil prices. We shall continue to update the market on developments on previously announced and new projects as they occur.

The Board are very pleased with our current progress and return to profitability. The board is also optimistic 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

30 September 2016

Consolidated Statement of Financial Position

	Unaudited Six months to 30 June 2016	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
Note	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	4,921	6,995	5,887
Intangible assets	12,107	9,589	12,150
Trade receivables		3,523	
Investments in subsidiaries			
	<u>17,028</u>	<u>20,107</u>	<u>18,037</u>
Current assets			
Inventories	7,576	14,929	9,938
Due from customers for construction contracts	29,796	34,842	30,240
Trade and other receivables	97,524	43,152	43,152
Notes receivables		410	
Cash and cash equivalents	19,918	13,802	19,426
	<u>154,814</u>	<u>122,395</u>	<u>102,756</u>
Current liabilities			
Trade and other payables	104,143	90,774	90,190
Due to customers for construction contracts	46,777	25,432	27,566
Notes payables			
Income tax payable	8,783	9,208	8,776
Short-term borrowing			
	<u>159,703</u>	<u>125,414</u>	<u>126,532</u>
Net current assets/(liabilities)	-4,922	3,019	(23,776)
Non-current liabilities			
Deferred tax liabilities		815	
		<u>815</u>	
Net assets	<u>12,106</u>	<u>16,273</u>	<u>(5,739)</u>
Equity			
Share Capital	2 1,445	1,325	1,357
Share premium	63,208	54,925	56,696
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			
Own shares			
Accumulated earnings/(losses)	(57,028)	(44,438)	(68,323)
Foreign currency translation reserve	23,636	23,616	23,686
	<u>12,106</u>	<u>16,273</u>	<u>(5,739)</u>

Consolidated Statement of Comprehensive Income

		Unaudited Six months to 30 June 2016	Unaudited Six months to 30 June 2015	Audited Year to 31 December 2015
	Note	RMB'000	RMB'000	RMB'000
Revenue		45,369	26,671	61,669
Cost of sales		(29,123)	(23,609)	54,002
Gross profit/(loss)		16,246	3,062	7,667
Other operating income		2,888	53	2,473
Selling and distribution expenses		(2,391)	(2,252)	(5,754)
Administrative expenses		(4,756)	(4,629)	(11,091)
Other operating expenses		(554)	(1,263)	(9,450)
Finance expenses		(138)	(512)	(891)
Bad debt provision(net)				(8,977)
Impairment loss				(400)
Other gains and losses				
(Loss)/ Profit before income tax		11,295	(5,541)	(26,423)
Income tax expense				10
Deferred tax expenses				815
(Loss)/Profit for the financial period		11,295	(5,541)	(25,598)
Other comprehensive income:				
Exchange difference		189	(21)	50
Total comprehensive income for the financial year		11,484	(5,562)	(25,598)
Total comprehensive income attributable to equity holder		11,484	(5,562)	(25,598)
Earnings/(loss) per share (RMB):				
Basic	5	0.029	(0.014)	(0.065)
Diluted	5	0.029	(0.014)	(0.065)

Consolidated Statement of Cash flows

	Unaudited Six months to 30 June 2016 RMB'000	Unaudited Six months to 30 June 2015 RMB'000	Audited Year to 31 December 2015 RMB'000
<i>Operating activities</i>			
Profit/(loss) before income tax	11,295	(5,541)	(26,423)
Adjustments for:			
Depreciation and amortisation	(349)	1,688	2,409
Bad debt provision(net)			8,977
Loss/(gain) on disposal of property, plant and equipment	(26)		104
Loss/(gain) on disposal of financial assets			
Interest income	(27)	(25)	(53)
Finance expense	562	537	535
Impairment loss			400
Exchange difference	(50)		28
	11,405	(3,341)	(14,023)
<i>Operating cash flows before movements in working capital</i>			
Decrease/(increase) in inventories	2,362	(3,088)	1,502
Construction work-in-progress	19,211	14,625	7,835
Trade and other receivables	(54,372)	(13,745)	(3,439)
Notes receivables	444	90	
Trade and other payables	13,986	13,754	8,931
Decrease/(increase) in due to customers for construction			13,526
Cash generated from/(used in) operations	(6,964)	8,295	14,332
Income taxes paid	7		10
Dividend received			
<i>Net cash from/(used in) operating activities</i>	(6,957)	8,295	14,342
<i>Investing activities</i>			
Proceeds from disposal of property, plant and equipment			(181)
Purchase of property, plant and equipment	1,694	(158)	(4,331)
Expenditure on intangible assets	(310)		
<i>Net cash from/(used in) investing activities</i>	1,384	(2,234)	(4,512)
<i>Financing activities</i>			

Short-term borrowing			
Repayment of borrowings		(6,600)	(6,600)
Proceeds from issuance of shares	6,600	-	1,803
Redemption of convertible bonds		-	
Interest received	27	25	53
Interest paid	(562)	(537)	(535)
<i>Net cash from/(used in) financing activities</i>	<u>6,065</u>	<u>(7,113)</u>	<u>(5,279)</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	492	(1,052)	4,551
Cash and bank balances at beginning of period	19,426	14,875	14,875
Effect of foreign exchange rate changes in cash and bank balances		(21)	
<i>Cash and cash equivalents at end of period</i>	<u><u>19,918</u></u>	<u><u>13,802</u></u>	<u><u>19,426</u></u>

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 2014	1,325	54,925	(33,156)	12,328	1,673		(38,895)	23,636	21,836
Profit for the period	-	-	-	-	-	-	(25,598)		(25,598)
Exchange difference arising on the translation	-	-	-	-	-	-		50	50
Correction of prior Total comprehensive income for the period	-	-	-	-	-	-	(3,830)		(3,830)
Issue of shares, net of share issue costs	32	1,771					(29,428)	50	(29,378)
Shares granted to Cancellation of EBT									1,803
Balance at Dec. 2015	1,357	56,696	(33,156)	12,328	1,673		(68,323)	23,686	(5,739)
Profit for the period	-	-	-	-	-	-	11,295		11,295
Exchange difference arising on the translation	-	-	-	-	-	-		(50)	(50)
Total comprehensive income for the period	-	-	-	-	-	-	11,295	(50)	11,245
Issue of warrants								-	-
Issue of shares, net of share issue costs	88-	6,512						-	6,600-
Transfer to statutory reserve								-	-
Balance at 30 June 2016	1,445	63,208	-33,156	12,328	1,673		(57,028)	23,636	12,106

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 2016 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ended 31 December 2015, 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 2015 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 30 September 2016.

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
Placing on 29 Dec 2015	13,333,333	3	32	185	1,771
As at 31 December 2015	406,947,541		1,357		56,696
Placing on 9 June 2016	37,500,000	9	88	696	6,512
As at 30 June 2016	444,447,541		1,445		63,208

The substantial shareholders have not changed from 31 May 2016 we outlined in the annual report. 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
As at 30 June 2016					
Cost					
At 1 January 2016	3,198	7,865	798	6,247	18,108
Additions	410	-	8	-	410
Disposals	-	(1,193)	-	(764)	(1,957)
At 30 June 2016	3,608	6,362	806	5,483	16,259
Accumulated depreciation					
At 1 January 2016	2,167	5,936	532	3,586	12,221
Charged for the year	1,208	(927)	42	(1,080)	(757)
Disposals	-	126	-	-	126

At 30 June 2016	3,375	4,883	574	2,506	11,338
Carrying amount					
At 1 January 2016	1,031	1,929	266	2,661	5,887
At 30 June 2016	233	1,479	232	2,977	4,921

4. Intangible assets

	Computer software	Patents	Technology Knowhow	Land use management	Development cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at beginning of year	60	2,908		3,613	6,914	13,495
Additions	-	310	-	-		310
Transfer	(50)	6,378	-	(1,107)	(6,815)	(1,594)
Balance at end of year	10	9,596	-	2,506	99	12,211
Accumulated amortisation						
Balance at beginning of year	51	535		759	-	1,345
Amortisation for the year	(48)	(240)	-	(728)		(1,016)
Balance at end of year	3	295	-	31		329
Carrying amount						
As at 31 Dec 2015	15	978	-	2,937	4,209	8,139
As at 30 June 2016	7	9,301	-	2,475	99	11,882

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 2016	Six months to 30 June 2016	Six months to 30 June 2016	Six months to 30 June 2015	Six months to 30 June 2015	Six months to 30 June 2015

	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Earnings/(loss)per share-basic	11,484	401,723,797	0.029	(5,562)	393,614,208	(0.014)
Potentially dilutive shares	-	-	-	-	-	-
Earnings/(loss)per share-diluted	11,484	401,723,797	0.029	(5,562)	393,614,208	(0.014)

6. Directors' interests

The following Directors have held office during the period and their interests as at 30 June 2016, 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	20.46%
Tang Zhaoxing	48,000,000	10.80%
Richard Bennett	-	-

7. 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 2016 RMB'000	30 June 2015 RMB'000
PRC	37,167	23,344
Myanmar		3,327
Canada	8,202	-
	45,369	26,671

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*.