29 June 2018

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

Final Results for the Year Ended 31 December 2017

The Board of CNE (AIM:CNEL), the AIM quoted engineering and technology solutions provider to the bioenergy sector, presents its final results for the year ended 31 December 2018.

The full version of the report and accounts for the year ended 31 December 2018 will be available from the Company's website www.chinanewenergy.co.uk and notification of posting of the accounts, together with the Notice of AGM, will shortly be sent to all shareholders.

Mr. Yu commented, "We are very pleased to report that CNE has significantly increased revenues and profits. We continue to see increased demand in China for new biorefinery projects due to the change of biofuel policy to favour domestic ethanol production, and renewed interest internationally for new biofuel and biochemical projects that we attribute to the rising oil price which makes them cost competitive again. CNE continues to have a strong order book, and with such a favourable market outlook, I am very confident of continued profitability".

For further information, please visit www.chinanewenergy.co.uk or contact:

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CHAIRMAN'S STATEMENT

Financial review

For the year ended 31 December 2017, the Group's total revenue was RMB252.4 million (c. £28.7 million), an increase of 221% from RMB78.6 million (c. £8.7 million).

We are pleased to report that CNE has significantly grown its revenues and underlying profitability. The growth in business performance is mostly attributed to a change of policy in China to increase the production of fuel ethanol, which resulted in winning and delivering a number of high profile contracts with a mix of existing and new customers, including Jilin Boda Biochemical Ltd, COFCO Anhui, Liaoyuan Jiufeng Biotech, and COFCO Guangxi amongst others.

The gross profit for the year was RMB73.6 million (c. £8.4 million) up 175% from a gross profit of RMB26.8 million (c. £3.0 million).

For the year 2017, the group recorded a profit of RMB30.1 million (c. £3.4 million) up 734% from a profit of RMB3.6 million (c. £0.4 million) substantially improving on a solid performance in 2016.

Sales pipeline

We entered 2018 with a strong order book of RMB63.7 million (c. £7.3 million), which includes the balance of started but not completed contracts from 2017. We continue to believe the change of policy in China to increase the production of fuel ethanol will drive sales opportunities for a significant number of new ethanol projects in China over the next 5 years. As a market leader, that has contributed technology and services to 60% of China's ethanol projects, CNE is ideally positioned to capitalise upon this market growth opportunity.

Products and services

The Group principally provides EPC (Equipment, Procurement and Construction) services and VAS (Value Added Services) to ethanol and biochemical producers. The EPC team primarily designs and builds commercial-scale biorefineries that convert feedstock into ethanol and other biochemicals for both the biofuel, and food & beverage (alcohol) market sectors, whilst the VAS team provides services and technology to optimise the ethanol and biochemical production and energy efficiency of existing biorefineries.

Market

CNE is a market leader in China at designing and building biorefineries that convert agricultural feedstock such as corn, cassava and sugarcane into ethanol for the fuel and food & beverage (alcohol) market sectors and has supplied technology and services to more than 200 projects in China and around the world.

For the past few years, mostly due to the low-oil price, the demand for new 1st generation biorefinery projects had stalled. However, both the increase in oil price and the change of policy in China to increase fuel ethanol production, is again creating demand for CNE's core technology and services.

The rise in oil price is also leading to renewed interest in 2nd generation biorefinery technology. China, the EU and other developed nations have for a long time sought to broaden the range of biofuel feedstocks to include non-food materials such as corn stover and municipal waste. The rise in oil price, and new technology, is once again making these feedstocks cost competitive.

CNE has also taken notice of the market growth opportunities for biochemicals. Both the rising oil price, and consumer demand for items such as bioplastics is driving demands for biochemicals that can be produced as an extension to CNE's core fermentation and distillation technologies.

As a market leader in ethanol biorefinery process technologies CNE is actively exploring various 2nd generation and other biochemical technologies which are nearing commercialisation in order to extend the Company's solutions to respond to these important market trends.

Group strategy

The Group's strategy is to:

1) Sell engineering and construction contracts to develop biorefinery and biochemical projects. The Company is focusing on fuel, biochemical and food & beverage (alcohol) projects in China and other developed markets, and 1st generation biorefinery projects in emerging markets including Africa, Eastern Europe and Asia.

2) Sell VAS and maintenance services to existing and new customers. In particular, the board sees opportunities to sell energy efficiency technology to reduce operating costs for customers.

3) Maintain our cost leadership position in the industry through relentless focus on operational efficiency in order to support project developers competing in a (relatively) low crude oil price environment.

4) Commercialise 2nd generation and biochemical technologies to enable our clients to further add-value to organic feedstocks and produce a wider range of biofuel and biochemical products.

5) Where appropriate, explore acquiring equity interest in selected biorefinery projects. The board seeks to broaden from engineering and construction contracts where income can be uneven and develop operating businesses with consistent recurring income.

Business development

The business development team shall continue to focus on both domestic and international market opportunities. The development of international market opportunities has taken longer than expected, but the team maintain their business development momentum such as speaking at international sugar and ethanol conferences, and continue to make proposals and develop the sales pipeline, particularly in South Asia and Sub-Saharan Africa. The Company believes that the agreements previously announced with Sunbird Bioenergy Africa and with Supercare Group remain viable projects and look forward to commencing their development once they have achieved financial closure with their respective investors.

Outlook

I am optimistic about the Group's prospects in 2018 and beyond. The positive change of fuel ethanol policy in China, combined with the development of new international markets and the emergence of new technology via in-house and partnerships has resulted in a strong platform from which to develop further growth. Consequently, I believe the outlook is for profitability.

On behalf of the Board, I would like to extend my appreciation to our valued shareholders, supportive business partners and associates, insightful management and dedicated staff for all their contribution and commitment towards the Company. I would also like to thank the Board of Directors for their invaluable counsel in steering the Group through this exciting time.

Yu Weijun
Chairman

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements for China New Energy Limited ('the Company') and its subsidiary undertakings (together 'the Group) for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is an investment holding company.

The Group's principal activity is providing technology solutions to manufacturers of ethanol, edible alcohol and other biochemicals from a range of organic feedstock including corn, sugarcane, cassava, corn-stover (agricultural waste) and other bio-resources.

Business review

The Group recorded an increase of 221% in revenue to RMB252.4million for the financial year 2017 ("FY2017"), reflecting most contracts signed in 2017 were substantially completed in the FY2017 reporting period. The total value of contracts secured in FY2017 was RMB359 million.

Our contracts' gross profit also increased to RMB73.6million in FY2017 compared to a gross profit of RMB27million in FY2016. This year's gross profit margin was 29% compared to the previous year's 34%.

Profit for the year of RMB30.1million represented a demonstration of continued growth from the platform created in 2016, with sales success being recorded across a range of existing and new customer projects.

During the year, in addition to fulfilling projects won at the end of 2016 and early 2017, business and technology development activities continued in China and internationally. Presence at international conferences led to business development leads which appear promising, and the Company is well positioned given its market leadership position in China to take full advantage of new and expansion projects in the high potential ethanol market domestically.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historic results. The Board monitors risks on an ongoing basis and implements appropriate procedures and processes to try and mitigate the adverse consequences of such risks.

The business faces three principal risks. Firstly, the Group needs to expand, retain and improve its current position in the industry. Future growth will be both organic and through potential acquisitions. There are a number of uncertainties relating to future acquisitions and there can be no guarantee that the Group will be able to expand as envisaged.

The Board of Directors meets regularly to review the future of the Group and potential areas for growth.

Secondly, the Group may need to raise additional capital to fund its future expansion. There can be no assurance that the Group will be able to obtain such funding.

The Board of Directors actively monitors its capital to ensure that the Group operates as a going concern and maintains sufficient flexibility to process planned wishes. This process considers the variety of capital and the sources from which it would be found.

Thirdly, the Group's operating subsidiaries' functional currency is Chinese Yuan ("RMB"), the fluctuations in RMB could have an adverse effect on the Group's business and operating results.

Group's financial risk management objectives, policies and strategies are set out in note 29 to the financial statements. In addition, the risk profile and financial instruments of the Group are set out in notes 29 and 30 to the financial statements.

Note: The exchange rate used in 2017 is £1:RMB 8.7869 (2016: £1:RMB 8.9844).

Results and dividends

The financial results of the Group are set out on page 17.

The directors do not recommend a dividend payment for the year.

Directors' interests

The following directors have held office during the period under review and their interests as at 31 December 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:

Name of Directors	**Number of shares**	**% of issued share capital**
Yu Weijun *	90,932,440	18.52%
Tang Zhaoxing **	48,000,000	9.77%
Richard Bennett	325,732	0.066%
Nicholas Brooks	405,000	0.082%

**   Held through Leader Vision Investments Limited and W B Nominees Limited*
*** Held through Vidacos Nominees Limited*

Name of Directors	**Number of share options**	**Expiry date**
Yu Weijun	3,070,352	20/10/2020
Tang Zhaoxing	3,070,352	20/10/2020
Richard Bennett	3,070,352	20/10/2020

Nicholas Brooks	3,070,352	20/10/2020

In accordance with Article 22.2 of the Articles of Association of the Company, all directors shall not remain in office for longer than 2 years since their last election or re-election without submitting themselves for re-election. The directors will retire by rotation, for which one third of directors who have been in the office longest shall retire by rotation.

Directors' remuneration

	2017	**2016**
	RMB'000	**RMB'000**
Yu Weijun	564	548
Tang Zhaoxing	563	548
Richard Bennett	174	180
Nicholas Brooks (appointed 28 October 2016)	180	37
Total	**1,481**	**1,313**

Employment policies

The Group pursues a policy of equal opportunities to all employees and potential employees. The Group has continued its policy of giving fair consideration to applications for employment made by disabled persons bearing in mind the requirements for skills and aptitude for the job. In the areas of planned employee training and career development, the Group strives to ensure that disabled employees receive equal treatment, including opportunities for promotion.

Every effort is made to ensure that continuing employment and opportunities are also provided for employees who become disabled. It is the Group's policy to take the views of employees into account in making decisions, and wherever possible to encourage the involvement of employees in the Group's performance.

Payments to suppliers

The Group's policy for the year ended 31 December 2017 is to settle the terms of payment with suppliers when agreeing the terms of the business transactions:

- To ensure that suppliers are aware of the terms of payments by the inclusion of the relevant terms in contracts; and
- To pay in accordance with the Company's contractual and other legal obligations.

The number of days of trade purchases outstanding for the Group as at 31 December 2017 was 100 days (2016: 252 days).

Substantial shareholders

The Group had been notified of the following beneficial interest of 3% or more in its shares as at 18 June 2018

Name of shareholders	**Number of shares**	**% of issued share capital**
Leader Vision Investments Limited (Yu Weijun)	64,000,000	13.03%
Vidacos Nominees Limited (Tang Zhaoxing)	48,000,000	9.77%
Best Full Investments Limited (Liang Hongtao)	48,000,000	9.77%
Jet-Air (HK) Limited	44,652,107	9.09%
W B Nominees Limited (Yu Weijun) *	26,932,440	5.49%
Pershing Nominees Limited (Jiang Xinchun)	25,100,000	5.13%

** Both held shares for Mr Yu Weijun, aggregated % of issued share capital is 18.52%*

***Jiang Xinchun also holds other shares of 7,000,000 by his name of Mr Xinchun Jiang, totalling 32,100,000 shares with an aggregated % of issued share capital of 6.53%*

Going concern

The financial statements have been prepared assuming the Group will continue as a going concern.

During the year ended 31 December 2017, the Group made a profit of RMB30.1million, including a provision on a court case of RMB5.9million (note 14), research and development expense of RMB1.2million (note 21). At the year-end date, the Group had net assets of RMB41.3million (2016: net assets of RMB4.6million), of which RMB19.4million (2016: RMB13.9million) was cash in bank (note 11), including a restricted cash of RMB11.2million (2016: RMB11.2million).

The Group has a cash balance of RMB1.5 million at 30 April 2018, the restricted cash of RMB11.2million was repaid to the court.

The Directors consider that the Group has adequate resources, especially with sufficient cash in bank and proceeds of £702,132 arising from new shares issued in February 2017, to continue in operational existence for at least the next twelve months from the date of approval of these financial statements.

The Group's existing business made significantly increased operating profits to the year end 31 December 2017. Whilst there continues to be uncertainty in the renewables industry, together with working capital risks linked to the industry practice of phased contractual payments for projects, the Directors consider that the underlying economic environment for the sector in 2018 is improving compared to earlier years. The Group is continuing to evaluate new funding options. Currently operations are partially relying on project payments in advance from customers and phased payments to suppliers, which gives a degree of uncertainty in the future going concern. This is because there can be no guarantee that required funds availability is synchronised perfectly with cash requirements to fund suppliers. Consequently, a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months for the date of this report.

The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

Events after the reporting period

Subsequent to the year end the Company purchased 46,808,809 of its ordinary shares at a purchase price of 1.2 pence per share from Mr. Lv Jingbin for a total cash consideration of £561,705 and transferred the shares into treasury. Mr. Lv then no longer had an interest in the Company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies (Jersey) Law, 1991. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

The directors have confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors is unaware; and

- each director has taken all the necessary steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

In accordance with Article 109 of the Companies (Jersey) Law 1991, a resolution proposing that UHY Hacker Young LLP be re-appointed for the forthcoming year will be put to the Annual General Meeting.

By order of the Board

Yu Weijun
Director

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the financial statements of China New Energy Limited ("the Company") for the year ended 31 December 2017 which comprise the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and Company's affairs as at 31 December 2017 and of the Group and Company's profit and cash flows for the year then ended;

- have been properly prepared in accordance with IFRSs, as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern and recoverability of trade receivables

We have considered the adequacy of the disclosure in note 2.2 in the financial statements concerning the Group's ability to continue as a going concern and the disclosures in note 10 in the financial statements concerning the Group's ability to recover its trade receivables. The Group made a net profit of RMB30.1 million during the year ended 31 December 2017. The Group had cash and cash equivalents (including bank overdraft) of RMB 721,000 at year end, which excludes a restricted cash balance of RMB 11.2million which was frozen at the year-end by a court order and has been utilised in 2018 to settle a legal case (see note 14). As set out in note 10 to the financial statements, at 31 December 2017 the Group had outstanding trade receivables of RMB67 million, including significant amounts which are past their due by collection dates.

The continued high level of long outstanding receivables indicates an increased degree of uncertainty as to when and whether the debts may be collectible in full and casts doubt on the Group's policies and procedures for effective debt collection. The directors have reviewed the outstanding receivables in detail and made impairment provisions against receivables that they believe are at risk of not being received in full. The directors therefore are of the opinion that the unprovided receivables will be collected in full and they are making efforts to do so.

The Group's operations are partially funded by project payments in advance from customers and receipts from customers for completed contract billings.

These conditions, along with other matters explained in note 2.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as a going concern.

The financial statements do not include adjustments that would result from further impairment of trade receivables if the Group were unable to collect its debts in full and also do not include the adjustments (such as the impairment of other assets) that would result if the Company and Group were unable to continue as a going concern. Our opinion is not modified in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our assessment of risks of material misstatements
We identified the following risks of material misstatement that we believe had the greatest impact on our overall audit strategy and scope, the allocation of resources in the audit and directing the efforts of the engagement team. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Accounting for construction contracts - Revenue recognition The Group recognised revenue of RMB 252million from construction contracts using the percentage of completion method for the financial year ended 31 December 2017. The percentage of completion is measured by reference to contract costs incurred compared to estimated total costs for the contracts. The determination of the contract revenues and contract costs requires significant management estimates, which may have a material impact on the amounts of contract work-in-progress, contract revenue, contract cost and profits recognised during the year. Accordingly, we have identified this as a key audit matter.	We obtained an understanding and reviewed, on a sample basis, the key financial controls surrounding management's internal costing and revenue recognition process put in place to estimate contract revenues, costs and profit margin. We tested the mathematical accuracy of contract revenues, costs and profits based on the percentage of completion calculations. Where there has been a significant change in management's estimates of such revenues, costs and profit margins, we enquired with management the rationale of such changes and

obtained supporting documentation to corroborate management's explanation. We reviewed the projects and discussed with the management on the progress of significant contracts to determine if there are any changes such as delays, penalties, overruns where it is probable that total contract costs will exceed total contract revenue and require the recognition of foreseeable losses on such contracts.

Information regarding the Group's contract work-in-progress and revenue from construction contracts is disclosed in notes 9 and 32 to the financial statements.

Recoverability of trade receivables

We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgements made by the management in assessing the impairment of accounts receivables and determining the allowance for doubtful debts.

As at 31 December, 2017, the carrying amounts of accounts receivables was RMB67million, net of an impairment of doubtful debts of RMB10million for the year ended 31 December 2017 (including adjustments arising during our audit work) as disclosed in note 10 to the consolidated financial statements.

Our procedures in relation to the recoverability of trade receivables included:

- Obtaining an understanding on how the allowance for doubtful debts is estimated by the management and assessing the management's process in determining the estimated future cash flows of trade receivables;
- Discussing with the management and reviewing trade receivables with limited cash settlements, during the year or subsequent to the end of the reporting period;
- Checking the aging analysis and subsequent settlement of the trade receivables, on a sample basis, to source documents including invoices and bank statements; and
- Assessing the reasonableness of allowance for doubtful debts for trade receivables with reference to the history of defaults or delays in payments, settlement records, subsequent settlements and aging analysis of the trade receivables on a sample basis.

The Group has discussed its trade receivables in note 10, and the directors are confident that outstanding receivables will be collected from customers and are making efforts to do so.

The continued high level of long outstanding receivables indicates an increased degree of uncertainty as to whether the debts may be collectible in full and may cast doubt on the Group's policies and procedures for effective debt collection.

Accordingly there is a material uncertainty on the timing of trade receivables collections – as set out in the 'Material uncertainty related to going concern and recoverability of trade receivables' paragraph of the audit report.

Management override of controls

Intrinsically there is always a risk of material misstatement due to fraud as a result of possible override of internal controls by management or by those charged with governance.

We reviewed the nominal ledger accounts, journals and cash transactions to identify any unusual or exceptional transactions. We investigated and tested a sample of items to ensure amounts paid during the year related to business expenses and that transactions were appropriate.

We reviewed and enquired into the accounting systems, processes, controls and segregation of duties that existed in the Company and the Group.

We also evaluated whether there was evidence of bias by the directors that represented a risk of material misstatement of fraud.
During our audit we found no evidence of management override of internal controls by the directors or management.

Going concern

The Company and Group is still in its growth phase and is therefore dependent on cash funded by project payments in advance from customers and receipts from customers for completed contract billings. There is a risk that delayed cash receipts from contract customers could result in a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

We reviewed the Group's cash flow forecasts for the period to 30 June 2019. Despite the return to profitability during 2017 the Group had cash and cash equivalents of RMB 721,000 (including a short term bank loan of RMB7.4 million) at the year-end, which excluded a restricted cash balance of RMB 11.2million which was frozen at the year-end by a court order and has been utilised in 2018 to settle a legal case (see note 14).

The forecasts indicate that further the Group is dependent on prompt receipt of funds from contract customers to cover both the operational and contract costs.

The Group has discussed its going concern in note 2.2 to the financial statements, and the directors are confident that sufficient funds will be received from customers in time for the Group to continue as a going concern.

There is however a going concern risk and therefore no guarantee that sufficient funds will be received as and when required. Accordingly there is a material uncertainty that may cast significant doubt on the Company's and Group's ability to continue as a going concern – as set out in the 'Material uncertainty related to going concern and recoverability of trade receivables' paragraph of the audit report.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Overall materiality	We determined materiality for the financial statements as a whole to be RMB 2.5 million.
How we determine it	Based on a materiality model using an average of benchmark amounts of revenue, profit before tax, gross assets and net assets.
Rationale for benchmarks applied	We believe an averaging model to be the most appropriate benchmarks due to the size, growth stage, increase in profitability and the nature of the Company and Group.
Performance materiality	On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 75% of materiality, and was set at RMB 1.87million.

We agreed with the Audit Committee that we would report to them all misstatements over RMB100,000 identified during the audit, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Company and the Group, their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement.

Our Group audit scope includes all of the group companies. At the Parent Company level, we also tested the consolidation procedures. The audit team met and communicated regularly throughout the audit with those charged with governance in order to ensure we had a good knowledge of the business of the Group. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Wright
(Senior Statutory Auditor)
For and on behalf of
UHY Hacker Young

Chartered Accountant
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

28th June 2018

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Note	Group As at 31 December		Company As at 31 December	
		2017	**2016**	**2017**	**2016**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-current assets					
Property, plant and equipment	5	3,854	4,774	-	-
Intangible assets	6	15,814	14,541	-	-
Investments in subsidiaries	7	-	-	9,107	8,851
		19,668	**19,315**	**9,107**	**8,851**
Current assets					
Inventories	8	18,745	3,438	-	-
Construction work-in-progress in excess of progress billings	9	55,866	35,713	-	-
Trade and other receivables	10	92,791	73,217	8,620	3,717
Cash and cash equivalents	11	8,168	2,654	240	1,808
Restricted cash at bank	11	11,200	11,200	-	-
		186,770	**126,222**	**8,860**	**5,525**
Current liabilities					
Borrowings	12	7,447	-	-	-
Trade and other payables	13	96,632	91,976	6,327	6,867
Progress billings in excess of construction work-in-progress	9	31,055	30,215	-	-
Provision for liabilities	14	15,873	10,000	-	-
Income tax payable		12,014	8,776	-	-
		163,021	**140,967**	**6,327**	**6,867**
Net current assets/(liabilities)		**23,749**	**(14,745)**	**2,533**	**(1,342)**
Non-current liabilities					

Deferred tax liability	25	2,125	-	-	-
		2,125	**-**	**-**	**-**
Net assets		**41,292**	**4,570**	**11,640**	**7,509**
Equity					
Share capital	15	1,541	1,441	1,541	1,441
Share premium	15	68,830	62,905	68,830	62,905
Combination reserve	16	(33,156)	(33,156)	-	-
Statutory reserve	17	12,328	12,328	-	-
Share-based payment reserve	18	528	-	528	-
Retained losses		(32,954)	(63,039)	(51,919)	(49,157)
Foreign currency translation reserve	19	24,175	24,091	(7,340)	(7,680)
		41,292	**4,570**	**11,640**	**7,509**

CONSOLIDATED AND COMPANY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	**Year ended 31 December**		**Year ended 31 December**	
		2017 RMB'000	**2016 RMB'000**	**2017 RMB'000**	**2016 RMB'000**
Revenue – project revenue	32	252,400	78,584	-	-
Cost of sales – costs of construction		(178,802)	(51,828)	-	-
Gross profit		73,598	26,756	-	-
Selling and distribution expenses		(5,890)	(4,868)	-	-
Administrative expenses		(5,044)	(7,576)	(2,314)	(2,309)
Share-based payments	18	(528)	-	(528)	-
Other income	20	7,642	3,204	-	-
Other expenses	21	(7,150)	(9,696)	-	-
Provisions – receivables & contracts	10	(26,828)	(2,715)	-	(1,665)
Impairment loss on investment		-	-	-	(1,846)
Operating profit/(loss)		**35,800**	**5,105**	**(2,842)**	**(5,820)**
Interest income		57	55	-	2
Finance costs	22	(666)	(1,549)	80	(917)
Profit/(loss) before tax	23	**35,191**	**3,611**	**(2,762)**	**(6,735)**
Income tax expense	25	(2,981)	-	-	-
Deferred tax expense	25	(2,125)	-	-	-
Profit/(loss) for the year attributable to owners of the Group		**30,085**	**3,611**	**(2,762)**	**(6,735)**
Other comprehensive income					
Exchange difference:					
on translating foreign operations		84	405	340	(938)

Total comprehensive income for the year attributable to owners of the Group		**30,169**	**4,016**	**(2,422)**	**(7,673)**
Earnings per share (RMB)					
Basic	26	0.07	0.009		
Diluted	26	0.06	0.009		
Earnings per share (Pence)					
Basic		0.80p	0.097p		
Diluted		0.68p	0.097p		

Exchange rate £1: RMB8.7869 (2016: £1: RMB8.9844)

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

Group	**Share capital RMB'000**	**Share premium RMB'000**	**Combination reserve RMB'000**	**Statutory reserve RMB'000**	**Share-based payment reserve RMB'000**	**Retained losses RMB'000**	**Foreign currency translation reserve RMB'000**	**Total equity 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 year	-	-	-	-	-	3,611	-	3,611
Other comprehensive income	-	-	-	-	-	-	405	405
Transfer share-based payment reserve	-	-	-	-	(1,673)	1,673	-	-
Total comprehensive income for the year	-	-	-	-	(1,673)	5,284	405	4,016
Issue of shares, net of share issue cost	84	6,209	-	-	-	-	-	6,293
Balance at 31	**1,441**	**62,905**	**(33,156)**	**12,328**	**-**	**(63,039)**	**24,091**	**4,570**
Profit for the year	-	-	-	-	528	30,085	-	30,613
Other comprehensive income	-	-	-	-	-	-	84	84
Total comprehensive income for the year	-	-	-	-	528	30,085	84	30,697

Issue of shares, net of share issue cost	100	5,925	-	-	-	-	-	6,025
Balance at 31 December 2017	**1,541**	**68,830**	**(33,156)**	**12,328**	**528**	**(32,954)**	**24,175**	**41,292**

Company	**Share capital RMB'000**	**Share premium RMB'000**	**Share-based payment reserve RMB'000**	**Retained losses RMB'000**	**Foreign currency translation reserve RMB'000**	**Total equity RMB'000**
Balance at 31 December 2015	**1,357**	**56,696**	**1,673**	**(44,095)**	**(6,742)**	**8,889**
Loss for the year	-	-	-	(6,735)	-	(6,735)
Other comprehensive income	-	-	-	-	(938)	(938)
Transfer share-based payment reserve	-	-	(1,673)	1,673	-	-
Total comprehensive income for the year	-	-	(1,673)	(5,062)	(938)	(7,673)
Issue of shares, net of share issue cost	84	6,209	-	-	-	6,293
Balance at 31 December 2016	**1,441**	**62,905**	**-**	**(49,157)**	**(7,680)**	**7,509**
Loss for the year	-	-	528	(2,762)	-	(2,234)
Other comprehensive income	-	-	-	-	340	340
Total comprehensive income for the	-	-	528	(2,762)	340	(1,894)
Issue of shares, net of share issue	100	5,925	-	-	-	6,025
Balance at 31 December 2017	**1,541**	**68,830**	**528**	**(51,919)**	**(7,340)**	**11,640**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Operating activities				
Profit/(loss) before tax	35,191	3,611	(2,762)	(6,735)
Adjustments for:				
Depreciation and amortisation	1,846	2,565	-	-
Share-based payments	528	-	528	-
(Gain)/loss on disposal of plant & equipment	(20)	1,548	-	-
Gain on disposal of intangible assets	-	(2,359)	-	-
Interest income	(57)	(55)	-	(2)
Interest expenses	666	537	-	-

Impairment of inventories	-	242	-	-
Impairment of plant & equipment	-	(366)	-	-
Impairment of investment	-	-	-	1,846
Exchange difference	84	405	84	313
Operating cash flows before movements in working capital	38,238	6,128	(2,150)	(4,578)
(Increase)/decrease in inventories	(15,307)	6,258	-	-
Increase in construction contracts work-in-progress (net)	(19,313)	(2,824)	-	-
(Increase)/decrease in trade and other receivables	(19,574)	(27,065)	(4,903)	2,178
Increase/(decrease) in trade and other payables	4,913	11,786	(540)	(4,893)
Increase in provision for liabilities	5,873	-	-	-
Restricted cash frozen by court (note 14)	-	(11,200)	-	-
Net cash used by operating activities	**(5,170)**	**(16,917)**	**(7,593)**	**(7,293)**
Investing activities				
Purchase of property, plant and equipment	(413)	(1,965)	-	-
Expenditure on intangible assets additions	(1,864)	(3,701)	-	-
Net cash used in investing activities	**(2,277)**	**(5,666)**	-	-

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financing activities				
Proceeds from disposal of plant & equipment	98	-	-	-
Proceeds from issue of shares	6,025	6,293	6,025	6,293
Interest received	57	55	-	2
Interest paid	(666)	(537)	-	-
Net cash from financing activities	**5,514**	**5,811**	**6,025**	**6,295**
Net decrease in cash and cash equivalents	(1,933)	(16,772)	(1,568)	(998)
Cash and cash equivalents at beginning of year	2,654	19,426	1,808	2,806
Cash and cash equivalents at end of year (Note 11)	**721**	**2,654**	**240**	**1,808**

Cash and cash equivalents shown above excludes restricted cash at bank of RMB11.2 million which has been frozen under a court order and has been used subsequent to the year end to settle a court case (notes 14 & 33). The restricted cash at bank has been shown separately on the consolidated statement of financial position.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents at 31 December 2017 comprise the cash and cash equivalents shown in the consolidated statement of financial position of RMB8.168 million less short term bank loans of RMB7.447 million (note 12), resulting in RMB721,000 shown above (note 11).

EXTRACT OF NOTES TO THE FINANCIAL STATEMENTS

The following notes have been extracted from the Company's report and accounts. Accordingly, page references and note references may not reconcile in the extracts and the Report and Accounts should be read in full.

1. General information

The Company (or "CNE") with registration number 93306 was incorporated in Jersey on 2 May 2006 as an investment holding Company. The Company 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU ("IFRS") issued by the International Accounting Standards Board ("IASB"), including related Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements incorporate the financial information of the Company and the Group. The subsidiaries are entities (including special purposes entities) over which the Group has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Chinese Renminbi ("RMB"), which is the presentation currency and functional currency of the Company and Group financial statements as the Group mainly operates in the PRC. All financial information presented in RMB has been recorded to the nearest thousand.

The Group has adopted all relevant IFRS standards effective for accounting periods beginning on or after 1 January 2017.

3. Going concern

The financial statements have been prepared assuming the Group will continue as a going concern.

During the year ended 31 December 2017, the Group made a profit of RMB 30.1million, including a provision on a court case of RMB 5.8million (note 14), research and development expense of RMB 1.2million (note 21). At the year-end date, the Group had net assets of RMB 41.3million (2016: net assets of RMB4.6million), of which RMB19.4million (2016: RMB13.9million) was cash in bank (note 11), including a restricted cash of RMB11.2million (2016: RMB11.2million).

The Group has a cash balance of RMB1.5 million at 30 April 2018, the restricted cash of RMB11.2million was repaid to the court.

The Directors consider that the Group has adequate resources, especially with sufficient cash in bank and proceeds of £702,132 arising from new shares issued in February 2017, to continue in operational existence for at least the next twelve months from the date of approval of these financial statements.

The Group's existing business made significantly increased operating profits to the year end 31 December 2017. Whilst there continues to be uncertainty in the renewables industry, together with working capital risks linked to the industry practice of phased contractual payments for projects, the Directors consider that the underlying economic environment for the sector in 2018 is improving compared to earlier years. The Group is continuing to evaluate new funding options. Currently operations are partially relying on project payments in advance from customers and phased payments to suppliers, which gives a degree of uncertainty in the future going concern. This is because there can be no guarantee that required funds availability is synchronised perfectly with cash requirements to fund suppliers. Consequently, a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months for the date of this report.

The financial statements do not include the adjustments (such as impairment of assets) that would result if the Group was unable to continue in operation.

4. Trade and other receivables

	Group As at 31 December		Company As at 31 December	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables (net of impairments)	67,053	49,766	-	-
Other receivables	8,029	9,768	4,989	86
Advance to suppliers (net of impairments)	3,939	2,818	-	-
Due from Group undertakings	-	-	3,631	3,631
Due from related parties	3,481	10,595	-	-
Notes receivables	10,115	100	-	-
Prepayments	174	170	-	-
	92,791	73,217	8,620	3,717

The carrying amounts of trade and other receivables approximate their fair values and are non-interest bearing.

Trade receivable as security - included in the trade receivables is an amount of RMB9.5 million which has been pledged to secure borrowings of the Group (note 12).

The amounts due from related parties are non-trade, unsecured, non-interest bearing and repayable on demand.

Movements in impairments in doubtful debts in trade receivables are as follows:

	Group As at 31 December	
	2017	**2016**
	RMB'000	**RMB'000**
Impairments during the year	10,994	966

Movements in impairments in doubtful debts in advances to suppliers and other receivables are as follows:

	Group As at 31 December	
	2017	**2016**
	RMB'000	**RMB'000**
Allowance during the year	23	1,749
Reversal during the year	-	(3,493)

The Group's trade receivables that are not impaired are as follows:

	As at 31 December	
	2017 RMB' 000	**2016 RMB' 000**
Less than 1 year	61,620	37,180
1-2 years (net of impairments)	5,392	10,343
Over 2 years	41	2,243
	67,053	49,766

At 31 December 2017, the Group had trade receivables of RMB 67million, net of impairments made against certain slow paying receivables. The continued high level of long outstanding receivables indicates an increased degree of uncertainty as to whether the debts may be collectible in full. All of the trade receivables have been reviewed for indicators of impairment and impairment provisions of RMB 10.9million have been made against receivables thought to be at risk of not being received in full. The directors believe that the unprovided receivables will collected in full and they are making every effort to do so. The directors are also putting in place improved debt collection procedures and a formal debt provision policy.

5. Earnings/(loss) per share

The calculation of earnings per share is based on Group's profit for the year and the weighted average number of shares in issue after adjusting for movement in own shares during the financial year. There is no potential dilutive share or share options outstanding and therefore, the diluted earnings per share is the same as basic earnings per share.

	Profit	**Weighted average number of shares**	**Earnings per share**
2017	**RMB'000**	**'000**	**RMB**
Basic	30,085	449,012	0.07
Diluted	30,085	488,312	0.06
2016			
Basic	3,611	412,591	0.009
Diluted	3,611	412,591	0.009

6. Litigation and legal case liability

At year end, the Group had settled a legal case with a customer, Tangshan Chenhong Industry Co. Ltd ('TSCH'), relating to a quality dispute in relation to a project in 2012. The full amount of RMB15.8 million has been provided in provisions for liabilities according to the final court order (note 14) with the expense included in 'other expenses' (note 21).

As part of the settlement the Group also received a return of inventories valued at RMB6.6 million from Tangshan Chenhong (note 8).

RMB11.2 million was frozen from the Group's bank account during 2016 and subsequent to the year end the RMB11.2 million was deducted from the Group's bank accounts in settlement of the court order in March 2018. The RMB11.2 million has been treated as restricted cash at bank in these financial statements (note 11).

7. Subsequent events

Subsequent to the year end the Company purchased 46,808,809 of its ordinary shares at a purchase price of 1.2 pence per share from Mr. Lv Jingbin for a total cash consideration of £561,705 and transferred the shares into treasury. Mr. Lv then no longer has an interest in the Company.