

24 September 2018

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

Half-yearly report for the six months to 30 June 2018

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 2018.

Financial Highlights

- Revenue of RMB 71.37m (£8.25m) (H1 2017: RMB 68.76m (£7.73m)), which represents a 3.8% increase over the same period last year
- Gross profit of RMB 23.5m (£2.72m) (H1 2017: RMB 16.6m (£1.87m))
- Net Profit of RMB 10.4m (£1.2m) (H1 2017: RMB 10.6m (£1.19m))
- Earnings per share of RMB 0.024 (0.27p) (H1 2017 RMB 0.023 (0.26p))

RMB8.6551: GBP £1 used as an indicative exchange rate.

Yu Weijun, Chairman, commented: “I am very pleased to report that the Company’s continued revenue growth and profitability. Recent changes in domestic biofuel policy continue to drive demand for biorefinery projects in China, and we continue to see renewed interest in international biofuel and biochemical projects as the rising oil price makes them commercially viable again. The company has a current order book and work in progress of RMB 294 million (c. £34m) to be fulfilled by December 2019, and I am confident that the business outlook is for continued profitability.”

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

Enquiries:

China New Energy Limited
Richard Bennett

www.chinanewenergy.co.uk
Tel: +44 (0)20 7148 3148 or rbennett@zkty.com.cn

Derek Cen

Tel: +86 (0)20 8705 8986 or cendl@zkty.com.cn

Cairn Financial Advisers LLP (NOMAD)
Jo Turner / Sandy Jamieson

Tel: +44 20 7213 0880

Daniel Stewart and Co (Broker)
David Lawman

Tel: +44 20 7776 6550

Chairman's Statement

Financial Review

Revenue for the first six months of the year has grown to RMB 71.37m (H1 2017: RMB 68.76m), an increase of approximately 3.8%.

We are pleased to report that CNE's success has continued in the first half of 2018. Again, this continues to be driven by a recent change of policy in China to increase the production of fuel ethanol, which resulted in winning and delivering a number of contracts with a mix of existing and new customers, including Heilongjiang Hongzhan, Liaoyuan Jiufeng, Liaoyuan Jiufeng and Henan Mengzhou Houruan amongst others.

The Group's gross profit also increased in the period to RMB 23.5m (H1 2017: RMB 16.6m) which resulted in the Group keeping a net profit in the period of RMB 10.5m (H1 2017: RMB 10.6m). The gross margin has increased to 32.9% from 24.1%, which indicates a better financial performance in the H1 year.

Selling and distribution expenses decreased by 7% to RMB 2.9m (H1 2017: RMB 3.1m). The administrative expenses increased by 151% to RMB 6.4m (H1 2017: RMB 2.5m), this is mainly due to increased staffing and settlement of the Tangshan Chenhong legal case. The other expenses were RMB 1.6m (H1 2017: RMB 0.68m). Finance expense increased to RMB 0.7m (H1 2017: RMB 0.4m).

Sales Pipeline

The order book and work in progress is up to RMB 294 million (c. £34m) to be fulfilled by December 2019, including a new contract win in Russia. The historic business cycle of the Company is that it normally wins business in the first half of the year and collects revenue in the second half of the year as the projects are completed. As such, management expects year end performance to be similar to 2017.

Products and Services

CNE is a market leader in China, with an estimated 60% market share, at designing and building biorefineries that convert agricultural feedstock such as corn, cassava and sugarcane into ethanol. We have completed more than 200 projects in China and around the world. 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.

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 continues to focus on both domestic and international market opportunities. The recent policy change in China that allows accumulated agricultural feedstocks to be converted to ethanol and animal feed continues to be the main driver for new domestic projects and project upgrades. Internationally, the Company won a new contract in Russia, and continues to pursue opportunities in South Asia and Sub-Saharan Africa.

Outlook

The rise in oil prices and increased demand for low-carbon alternative transportation fuels has renewed interest in the ethanol sector. China has committed to widening the ethanol blending mandate to include additional provinces, and lobby groups in the USA are making the case for E15 which will increase the ethanol/petrol blending ratio from 10% to 15%.

These macroeconomic trends are directly translating directly into orders for CNE as biofuel, beverage and biochemical companies increase production capacity to meet the forecast demand. I am confident of continued profitability and the Group's prospects in 2018 and beyond.

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

24 September 2018

Consolidated Statement of Financial Position

	Unaudited Six months to 30 June 2018	Unaudited Six months to 30 June 2017	Audited Year to 31 December 2017
Note	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	3,327	3,905	3,854
Intangible assets	16,759	14,858	15,814
Trade receivables			
Investments in subsidiaries			
	<u>20,086</u>	<u>18,763</u>	<u>19,315</u>
Current assets			
Inventories	10,768	8,527	18,745
Due from customers for construction contracts	66,434	52,703	55,866
Trade and other receivables	148,788	154,201	92,791
Notes receivables			
Cash and cash equivalents	23,620	12,917	19,368
	<u>249,610</u>	<u>228,348</u>	<u>186,770</u>
Current liabilities			
Trade and other payables	142,112	128,923	96,632
Due to customers for construction contracts	50,700	88,107	31,055
Provision for liabilities	5,873		15,873
Income tax payable	12,825	8,797	12,014
Short-term borrowing	9,258		7,447
	<u>220,768</u>	<u>225,827</u>	<u>163,021</u>
Net current assets/(liabilities)	28,842	2,521	23,749
Non-current liabilities			
Deferred tax liabilities	2,125		2,125
	<u>2,125</u>	<u>2,125</u>	<u>2,125</u>
Net assets	<u>46,803</u>	<u>21,284</u>	<u>41,292</u>
Equity			
Share Capital	3 1,541	1,541	1,541
Share premium	68,830	68,805	68,830
Combination reserve	(33,156)	(33,156)	(33,156)
Warrants reserve			
Statutory reserve	12,328	12,328	12,328
Share-based payment reserve	528		528
Treasury shares	-4,941		
Accumulated earnings/(losses)	(22,555)	(52,458)	(32,954)
Foreign currency translation reserve	24,228	24,224	24,175
	<u>46,803</u>	<u>21,284</u>	<u>41,292</u>

Consolidated Statement of Comprehensive Income

		Unaudited Six months to 30 June 2018	Unaudited Six months to 30 June 2017	Audited Year to 31 December 2017
	Note	RMB'000	RMB'000	RMB'000
Revenue		71,371	68,760	252,400
Cost of sales		(47,861)	(52,191)	178,802
Gross profit/(loss)		23,510	16,569	73,598
Other operating income		66	732	7,642
Selling and distribution expenses		(2,882)	(3,100)	(5,890)
Administrative expenses		(6,381)	(2,539)	(5,044)
Other operating expenses		(1,634)	(676)	(7,150)
Finance expenses		(682)	(403)	(609)
Bad debt provision(net)			(2)	(26,828)
Share-based payments				(528)
Other gains and losses		_____	_____	_____
(Loss)/ Profit before income tax		11,997	10,581	35,191
Income tax expense		(1,597)		(2,981)
Deferred tax expenses		_____	_____	(2,125)
(Loss)/Profit for the financial period		<u>10,400</u>	<u>10,581</u>	<u>30,085</u>
Other comprehensive income:				
Exchange difference		<u>53</u>	<u>133</u>	<u>84</u>
Total comprehensive income for the financial year		<u>10,453</u>	<u>10,714</u>	<u>30,169</u>
Total comprehensive income attributable to equity holder		<u><u>10,453</u></u>	<u><u>10,714</u></u>	<u><u>30,169</u></u>
Earnings/(loss) per share (RMB):				
Basic	6	0.024	0.023	0.07
Diluted	6	<u>0.024</u>	<u>0.023</u>	<u>0.06</u>

Consolidated Statement of Cash flows

	Unaudited Six months to 30 June 2018 RMB'000	Unaudited Six months to 30 June 2017 RMB'000	Audited Year to 31 December 2016 RMB'000
<i>Operating activities</i>			
Profit/(loss) before income tax	10,400	10,581	35,191
Adjustments for:			
Depreciation and amortisation	1,013	1,272	1,846
Share-based payment			528
Loss/(gain) on disposal of property, plant and equipment			(20)
Income tax	1,597		
Interest income	(56)	(27)	(57)
Finance expense	591	562	666
Impairment loss	(10,000)		
Exchange difference	53	133	84
<i>Operating cash flows before movements in working capital</i>	3,597	12,521	38,238
Decrease/(increase) in inventories	7,977	(5,089)	(15,307)
Construction work-in-progress	(10,568)	(16,990)	(19,313)
Trade and other receivables	(55,997)	(80,984)	(19,574)
Notes receivables			
Trade and other payables	45,480	26,947	4,913
Decrease/(increase) in due to customers for construction	19,645	57,892	
Increase in provision			5,873
Income taxes paid	963	21	
Deferred tax reversed	(1,749)		
<i>Net cash from/(used in) operating activities</i>	9,348	(5,682)	5,170
<i>Investing activities</i>			
Proceeds from disposal of property, plant and equipment	29		
Purchase of property, plant and equipment	(205)	(139)	(413)
Expenditure on intangible assets	(1,255)	1,694 (581)	(1,864)
<i>Net cash from/(used in) investing activities</i>	(1,431)	(720)	(2,277)

Financing activities

Short-term borrowing	1,811		
Shares buy-back	(4,941)		
Proceeds from issuance of shares		6,000	6,025
Proceeds from disposal off plant & equipment			98
Interest received	56		57
Interest paid	(591)	(535)	(666)
<i>Net cash from/(used in) financing activities</i>	<u>(3,665)</u>	<u>5,465</u>	<u>(5,514)</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	4,252	(937)	(1,933)
Cash and bank balances at beginning of period	19,368	13,854	2,654
Effect of foreign exchange rate changes in cash and bank balances	<u> </u>	<u> </u>	<u> </u>
<i>Cash and cash equivalents at end of period</i>	<u><u>23,620</u></u>	<u><u>12,917</u></u>	<u><u>721</u></u>

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Combination	Statutory reserve	Treasury shares	Share-base d payment reserve	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 2017	1,441	62,905	-33,156	12,328			(63,039)	24,091	4,570
Profit for the period	-	-	-	-	-	528	30,085		30,613
Exchange difference arising on the translation	-	-	-	-	-	-		84	84
Transfer warrant reserve									
Total comprehensive income for the period	-	-	-	-	-	528	30,085	84	30,697
Issue of shares, net of share issue costs	100	5,925							6,025
Shares granted to Cancellation of EBT									
Balance at Dec. 2017	1,541	68,830	-33,156	12,328		528	(32,954)	24,175	41,292
Profit for the period	-	-	-	-	-	-	10,400		10,400
Exchange difference arising on the translation	-	-	-	-	-	-		53	53
Total comprehensive income for the period	-	-	-	-	-	-	10,400	53	10,453
Issue of warrants								-	-
Issue of shares, net of share issue costs								-	-
Shares buy-back					(4,942)			-	(4,942)
Balance at 30 June 2018	1,541	68,830	-33,156	12,328	(4,942)	528	(22,554)	24,228	46,803

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.

Treasury shares

Treasury shares are common stocks that have been repurchased by the company and held in the company’s treasury. Treasury shares are not considered in paying dividends, voting, or calculating earnings per share. It may be retired or reissued. On the balance sheet, treasury shares are listed under shareholders’ equity as a negative number.

This interim financial information has not been reviewed or audited by the Group’s auditors. The comparatives for the period ended 31 December 2017 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 2018.

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
Shares bought back on 2 January 2018	46,808,809		
As at 30 June 2018	491,256,350*	1,541	68,830

*The company currently holds 46,808,809 shares in treasury. The substantial shareholders have not changed from 30 June 2018 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 2018					
Cost					
At 1 January 2018	3,358	8,004	903	6,247	18,512
Additions	205	-		-	205
Disposals	-		29		29
At 30 June 2018	3,563	8,004	874	6,247	18,688
Accumulated depreciation					
At 1 January 2018	3,103	6,979	662	3,914	14,658
Charged for the year	107	418	30	148	703
Disposals	-		-	-	
At 30 June 2018	3,210	7,397	692	4,062	15,361
Carrying amount					
At 1 January 2018	255	1,025	241	2,333	3,854
At 30 June 2018	353	607	182	2,185	3,327

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	7,729	18,338
Additions	-		-	-	2,642	2,642
Transfer					(1,387)	(1,387)

Balance at end of year	60	6,936	-	3,613	8,984	19,593
Accumulated amortisation						
Balance at beginning of year	60	1,542		922	-	2,524
Amortisation for the year		(253)	-	(57)		(310)
Balance at end of year	60	1,795	-	979		2,834
Carrying amount						
As at 31 Dec 2017		5,394	-	2,691	7729	15,814
As at 30 June 2018		5,141	-	2,634	8,984	16,759

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 to 30 June 2018	Six months to 30 June 2018	Six months to 30 June 2018	Six months to 30 June 2017	Six months to 30 June 2017	Six months to 30 June 2017
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
Earnings/(loss)per share-basic	10,453	444,447,541	0.024	10,714	470,348,415	0.023
Potentially dilutive shares	-	-	-	-	-	-
Earnings/(loss)per share-diluted	10,453	444,447,541	0.024	10,714	470,348,415	0.023

*The weighted average number of shares takes account of 46,808,809 ordinary shares repurchased by the company during the period and held in treasury.

7. Directors' interests

The following Directors have held office during the period and their interests as at 30 June 2018, 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	18.52%
Tang Zhaoxing	48,000,000	9.77%
Nicholas Brooks	405,000	0.082%
Richard Bennett	325,732	0.066%

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 2018 RMB'000	30 June 2017 RMB'000
PRC	70,764	66,986
Thailand	378	93
Myanmar	229	
Canada		1,681
	<hr/> 71,371 <hr/>	<hr/> 68,760 <hr/>

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*.