中科天元
ChinaNewEnergy

China New Energy Limited

*(Incorporated in Jersey, Channel Islands with limited liability and carrying on business in Hong Kong as "**Zhongke Tianyuan New Energy Limited**")*

(Stock Code: 1156)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of China New Energy Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 ("**Reporting Year**"), together with the comparative figures for the corresponding period in 2019 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**521,561**	398,558
Cost of sales		**(388,845)**	(289,141)
Gross profit		**132,716**	109,417
Selling and marketing expenses		**(8,799)**	(8,617)
Administrative expenses		**(52,493)**	(27,700)
Impairment losses under expected credit loss model, net of reversal	8	**(16,211)**	(3,555)
Other income	5	**2,350**	1,836
Other gains – net	6	**751**	2,409
Operating profit		**58,314**	73,790
Finance income	7	**45**	49
Finance costs	7	**(1,415)**	(1,384)
Finance costs – net		**(1,370)**	(1,335)
Profit before income tax	8	**56,944**	72,455
Income tax expenses	9	**(12,580)**	(13,287)
Profit attributable to owners of the Company for the year		**44,364**	59,168
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	11	**0.088**	0.133
Diluted earnings per share	11	**0.080**	0.128

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**44,364**	59,168
Other comprehensive (loss)/income		
Items that may not be reclassified to profit or loss		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(145)**	13
Items that may be reclassified to profit or loss		
– Exchange differences on translation of foreign operations	**145**	(238)
Other comprehensive loss for the year, net of tax	**–**	(225)
Total comprehensive income attributable to owners of the Company for the year	**44,364**	58,943

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	**2020**	2019
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**14,710**	11,589
Intangible assets		**19,847**	18,252
Right-of-use assets		**5,150**	6,281
Investment in an associate		**–**	–
Financial assets at fair value through other comprehensive income		**4,845**	5,015
Deferred tax assets		**6,479**	4,327
		51,031	45,464
Current assets			
Inventories		**5,970**	3,358
Trade and bills receivables	*12*	**74,598**	94,628
Other receivables and prepayments	*13*	**186,409**	110,688
Contract assets		**143,841**	118,108
Pledged bank deposits		**–**	2,321
Bank balances and cash		**37,322**	26,466
		448,140	355,569
Current liabilities			
Trade payables	*14*	**85,685**	114,755
Other payables	*15*	**78,236**	72,916
Contract liabilities		**20,226**	15,140
Bank borrowings		**11,172**	18,941
Convertible notes		**–**	11,847
Lease liabilities		**1,075**	1,073
Tax payable		**46,335**	33,040
		242,729	267,712
Net current assets		**205,411**	87,857
Total assets less current liabilities		**256,442**	133,321

	2020	2019
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings	**9,500**	–
Lease liabilities	**1,932**	2,889
Deferred income	**2,400**	–
Deferred tax liabilities	**–**	2
	13,832	2,891
Net assets	**242,610**	130,430
Capital and reserves		
Share capital	**1,762**	1,444
Reserves	**240,848**	128,986
Total equity	**242,610**	130,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL INFORMATION

China New Energy Limited (the "**Company**") was incorporated in Jersey on 2 May 2006 as a public company with limited liability under the Jersey Companies Law. The address of its registered office is at 13 Castle Street, St Helier, Jersey, JE1 1ES. The Company's principal place of business is at Unit 2406, 24/F., Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong. The shares of the Company have been listed and admitted to trading on AIM since 23 May 2011.

The shares of the Company were successfully listed on the Main Board of Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2020, and on the same day, the shares of the Company in AIM was delisted.

The Company's shares listed on the Stock Exchange have been suspended for trading since 1 April 2021.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of ethanol production system technology integrated service in the ethanol fuel and alcoholic beverage industries in the People's Republic of China (the "**PRC**").

The consolidated financial statements are presented in Renminbi Yuan ("**RMB**"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**").

2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to Conceptual Framework for Financial Reporting and the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

In addition, the Group has early applied the Amendment to IFRS 16 Covid-19 Related Rent Concessions.

Except as described below, the application of the Amendments to Conceptual Framework for Financial Reporting and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

Impacts on application of Amendments to IFRS 9,IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the consolidated financial statements of the Group.

Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained earnings at 1 January 2020.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after 1 April 2021.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform –Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities**.

  A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;

- **Hedge accounting requirements**.

  Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures**.

  The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or noncurrent only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

In addition, Interpretation 5 was revised as a consequence of the Amendments to IAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 December 2020.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRSs Annual Improvements to IFRSs 2018-2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

Types of goods or services

	2020	2019
	RMB'000	*RMB'000*
Provision of construction services – ethanol production system technology integrated services		
– Ethanol fuel industries	**422,573**	347,184
– Alcoholic beverage industries	**97,695**	45,080
– Others	**1,293**	6,294
Total	**521,561**	398,558

"Others" mainly refers to revenue generated from projects relating to medical and industry of ethyl acetate.

Timing of revenue recognition:

	2020	2019
	RMB'000	*RMB'000*
Over time	**519,683**	396,534
At a point in time	**1,878**	2,024
	521,561	398,558

(ii) Transaction price allocated to the remaining unsatisfied performance obligation for contracts with customers:

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for provision of ethanol production system technology integrated services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment. The chief operating decision maker has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of ethanol production system technology integrated services in the ethanol fuel and alcoholic beverage industries. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measures reported to the executive directors of the Company for the purpose of resources allocation and performance assessment.

Geographical information

The amount of the Group's revenue from external customers broken down by location of the customers is shown in the table below.

	2020	2019
	RMB'000	*RMB'000*
PRC	**511,873**	379,852
Myanmar	**7,723**	622
Russia	**–**	187
Indonesia	**1,704**	14,601
Other countries	**261**	3,296
Total	**521,561**	398,558

As at 31 December 2020 and 2019, all of the non-current assets of the Group were located in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A[1]	**256,933**	–
Customer B[1]	**85,142**	144,785
Customer C[2]	**N/A**	121,322
Customer D[2]	**N/A**	48,416
Customer E	**–**	42,071
	342,075	356,594

1 Customer A and customer B are related companies of each other.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2020.

5 OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Subsidy income	**2,350**	1,836

Subsidy income mainly represented government grants provided to the Group for its support and award to innovative and growth enterprises. The grants were unconditional and were recognised as income when received.

6. OTHER GAINS – NET

	2020	2019
	RMB'000	*RMB'000*
Contract assets written off	**(2,752)**	–
Recovery of bad debts	**3,270**	–
Exchange (losses)/gains, net	**(1,409)**	744
Losses on disposal of property, plant and equipment	**(179)**	(206)
Fair value gains/(losses) on convertible notes	**1,462**	(1,241)
Gains on disposal of right to returned goods	**–**	3,099
Others	**359**	13
	751	2,409

7 FINANCE INCOME AND COST

	2020	2019
	RMB'000	*RMB'000*
Finance income		
Interest income from financial assets held for cash management purposes	**45**	49
Finance costs		
Bank borrowings interest expense	**(1,184)**	(1,095)
Lease liabilities interest expense	**(231)**	(289)
	(1,415)	(1,384)
Finance costs – net	**(1,370)**	(1,335)

8 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Staff costs (including directors' remuneration)		
Salaries, wages, bonuses and other benefits	**16,260**	13,062
Contribution to pension scheme	**1,739**	1,324
Share-based payments	**948**	461
	18,947	14,847
Less: Capitalised in intangible assets	**(2,529)**	(2,166)
	16,418	12,681
Amounts included in		
– Cost of sales	**2,934**	1,685
– Selling and marketing expenses	**4,220**	4,100
– Administrative expenses	**9,264**	6,896
Costs of engineering services	**63,295**	52,256
Raw materials and consumables used	**315,941**	229,855
Depreciation of property, plant and equipment	**3,454**	2,188
Depreciation of right-of-use assets	**1,131**	1,131
Amortisation of intangible assets	**1,072**	722
Impairment losses, net of reversal recognised on:		
– Trade receivables	**4,773**	801
– Contract assets	**3,928**	2,754
– Other receivables	**7,510**	–
	16,211	3,555
Legal and professional fees *(note)*	**20,488**	1,305
Auditors' remuneration	**2,656**	1,584
Listing expenses	**17,482**	11,665

Note:

Regarding legal and professional fees of approximately RMB18,603,000 (2019: Nil), the auditors which were originally engaged by the Company to act as auditors of the consolidated financial statements of the Group for the financial year ended 31 December 2020 (the "**Predecesser Auditor**") had raised concerns (the "**Audit Issues**") over these payments to various service providers (the "**Service Providers**") for the professional and consultancy services (the "**Concerned Transactions**"). The Audit Issues in relation to the Concerned Transactions included the commercial substance and business rationale for engaging the Service Providers to provide such services shortly after the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 15 July 2020 and for prepaying the entire contract sum in full, and whether there was any relationship between certain Service Providers with the Group and its management. The Independent Investigation Committee formed by the Company has engaged an independent professional advisor (the "**Advisor**") to conduct an independent investigation on the Concerned Transactions. The Advisor completed its investigation and issued an independent investigation report dated 17 January 2022. Details of key findings of the independent investigation are set out in the Company's announcement dated 28 January 2022.

9 INCOME TAX EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**14,709**	11,862
Deferred income tax (credit)/expense	**(2,129)**	1,425
Total income tax expenses	**12,580**	13,287

Hong Kong profits tax

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong (2019: Nil).

Overseas income tax

The Company was incorporated in Jersey as a public company with limited liability under the Companies (Jersey) Law 1991. The Company is regarded as resident for tax purposes in Jersey and on the basis that the Group is neither a financial services group nor a utility group for the purposes of the Income Tax (Jersey) Law 1961, as amended. The Company is subject to income tax in Jersey at a rate of zero per cent.

PRC enterprise income tax

The income tax provision of the Group in respect of the operations of its subsidiaries in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2020 and 2019 based on the existing legislation, interpretations and practices in respect thereof.

The enterprise income tax rate applicable to the group entities located in mainland China is 25% according to the Enterprise Income Tax Law of the People's Republic of China (the "**EIT Law**") effective on 1 January 2008 except Guangdong Zhongke Tianyuan New Energy Science and Technology Co Ltd ("**Zhongke Tianyuan**"), which was qualified as "High and New Technology Enterprise" in 2016 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2020 and 2019. On 19 February 2020, the filing of Zhongke Tianyuan's renewal of the High and New Technology Enterprise qualification for another 3 years starting from 2 December 2019 was completed.

The Group produces and files its annual local tax returns on a basis in line with generally accepted practices for companies in the same industry, especially those where accrued income can be recognised ahead of invoicing and there may be long settlement periods until invoices are paid. There can exist a difference between this basis and the basis on which profits are recognised in accordance with IFRS accounting principles, and further timing differences in when certain deductions are recognised within the accounts versus claimed for local tax purposes. Taxation is provided in these accounts on a basis that aligns to IFRS accounting principles and in line with local tax legislation, and therefore the taxation charges arising are generally recognised as current taxation due as opposed to deferred taxation, but as a result the taxation shown as paid within the consolidated statements of cash flows is in generally lower than the current taxation charge within the financial statements.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to 50% of the qualified research and development expenses incurred in determining its assessable tax profits for that year. The additional tax deduction has been increased from 50% of the qualified research and development expenses to 75%, effective from 2018 to 2020, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018 ("**Super Deduction**").

PRC withholding income tax

According to the EIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008.

10 DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

11 EARNINGS PER SHARE

(a) Basic earnings per share

	2020	2019
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**44,364**	59,168
Weighted average number of ordinary shares in issue (thousand shares)	**504,524**	444,448
Basic earnings per share	**0.088**	0.133

(b) Diluted earnings per share

	2020	2019
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**42,902**	60,409
Weighted average number of ordinary shares in issue (thousand shares)	**534,454**	471,402
Dilutive earnings per share	**0.080**	0.128

(c) Reconciliations of earnings used in calculating earnings per share

	2020	2019
	RMB'000	*RMB'000*
Diluted earnings per share		
Profit attributable to owners of the Company used in calculating basic earnings per share:	**44,364**	59,168
(Less)/add fair value (gains)/loss on convertible notes	**(1,462)**	1,241
Used in calculating diluted earnings per share	**42,902**	60,409

(d) Weighted average number of shares used as the denominator

	2020	2019
	RMB'000	*RMB'000*
Weighted average number of ordinary shares (thousand shares) used as the denominator in calculating basic earnings per share	**504,524**	444,448
Adjustments for calculation of diluted earnings per share:		
Share options granted under the Pre-IPO Share Option Scheme (thousand shares) *(note i)*	**17,118**	5,979
Convertible notes (thousand shares) *(note ii)*	**12,812**	20,975
Weighted average number of ordinary shares (thousand shares) and potential ordinary shares used as the denominator in calculating diluted earnings per share	**534,454**	471,402

Note i

On 20 October 2017, the Group granted 39,300,508 share options for the long-term incentive of directors and senior employees of the Group.

The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period before exercise) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration in basic earnings per share is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

Note ii

The Company issued 12% convertible notes for HKD5,250,000 and HKD6,250,000 on 8 February 2019 and 15 February 2019 respectively. Convertible notes are included in the determination of dilutive earnings per share from their date of issue.

12 TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade and bills receivables – third parties		
– third parties	**90,092**	105,752
Less: Allowance for credit losses of trade and bills receivables	**(15,494)**	(11,124)
Trade and bills receivables – net	**74,598**	94,628

An ageing analysis of trade and bills receivables based on invoice date (net of impairment losses) is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**58,051**	80,880
One to two years	**12,398**	8,315
Two to three years	**4,143**	5,433
Over three years	**6**	–
	74,598	94,628

As at 31 December 2020, trade receivables of RMB36,100,000 (2019: nil) was pledged as security for the Group's bank borrowings.

13 OTHER RECEIVABLES AND PREPAYMENT

	2020	2019
	RMB'000	*RMB'000*
Amounts due from directors *(note (i))*	**356**	–
Amounts due from directors related to the exercise of the Pre-IPO Share Option Scheme	**412**	–
Amounts due from employees related to the exercise of the Pre-IPO Share Option Scheme	**1,969**	–
Prepayment for equipment of ethanol fuel construction and alcoholic beverage construction projects *(note (ii))*	**109,156**	22,650
Prepayments related to listing expenses	**–**	8,710
Tendering deposits	**220**	460
Deposits receivables, net *(note (iii))*	**71,508**	78,000
Others, net	**2,788**	868
	186,409	110,688

(i) The amounts are unsecured, interest free and repayable on demand.

(ii) The amounts represent the prepayment for equipment of ethanol fuel construction and alcoholic beverage construction projects, which will be recognised to inventories when the delivery and the instalment of such equipment completed.

(iii) Deposits receivables represents up-front payments for guaranteeing performance of the contracts to a customer of the Group, Inner Mongolia Zhongneng Biological Technology Co., Ltd of RMB78,000,000 (2019: RMB78,000,000) which will be returned upon the project completes and Xin Jiang Botai Energy Co., Ltd of RMB1,000,000 (2019: Nil) which will be returned upon the project initiates. Impairment losses of approximately RMB7,492,000 was recognised during the year ended 31 December 2020 (2019: Nil).

14 TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**85,685**	114,755

As at 31 December 2020 and 2019, the ageing analysis of trade payables based on invoice date was as follows:

	2020	2019
	RMB'000	*RMB'000*
less than one year	**72,665**	94,965
1-2 years	**8,249**	8,800
2-3 years	**857**	3,438
over 3 years	**3,914**	7,552
	85,685	114,755

15 OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
VAT payable	**60,371**	47,562
Other payables and accruals	**16,733**	24,141
Wages payables	**826**	787
Amounts due to directors *(Note)*	**306**	426
	78,236	72,916

Note:

The amounts due are unsecured, interest-free and repayable on demand.

MATERIAL DIFFERENCES BETWEEN 2020 AUDITED ANNUAL RESULTS AND 2020 UNAUDITED ANNUAL RESULTS

Reference is made to the announcement of the Company dated 15 April 2021 in relation to the unaudited annual results of the Group for the Reporting Year (the "**2020 Unaudited Annual Results Announcement**").

Since the financial information contained in the 2020 Unaudited Annual Results Announcement was not audited by the auditors as at the date of its publication and subsequent adjustments have been made to such information upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the material differences between the financial information in the audited annual results for the Reporting Year as disclosed in this announcement and that disclosed in the 2020 Unaudited Annual Results Announcement.

Set forth below are details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules:

Financial items	**Disclosure in this announcement** *RMB'000*	**Disclosure in 2020 Unaudited Annual Results Announcement** *RMB'000*	**Difference** *RMB'000*	*Notes*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Profit for the year	44,364	55,165	(10,801)	*1*
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Non-current assets				
Property, plant and equipment	14,710	11,276	3,434	*2*
Financial assets at fair value through other comprehensive income	4,845	4,589	256	
Deferred tax assets	6,479	6,541	(62)	
Current assets				
Trade and bills receivables	74,598	72,892	1,706	*3*
Other receivables and prepayments	186,409	137,345	49,064	*4*
Contract assets	143,841	208,121	(64,280)	*5*

Financial items	Disclosure in this announcement	Disclosure in 2020 Unaudited Annual Results Announcement	Difference	Notes
	RMB'000	*RMB'000*	*RMB'000*	*Notes*
Current liabilities				
Other payables	78,236	77,482	754	
Lease liabilities	1,075	1,051	24	
Current income tax liabilities	46,335	46,386	(51)	
Non-current liabilities				
Lease liabilities	1,932	1,956	(24)	

Notes:

1. The difference is mainly due to capitalisation of research and development expenses of approximately RMB3 million to property, plant and equipment, changes in expected credit losses on trade and bills receivables, other receivables and contract assets of approximately RMB0.6 million, and reclassification of legal and professional fees from prepayments of approximately RMB14 million.

2. The difference is mainly due to capitalisation of the equipment used in the research projects from research and development expenses as stated in 1 above.

3. The difference is mainly due to changes in expected credit loss as stated in 1 above.

4. The difference is mainly due to changes in expected credit loss and reclassification of prepayments to legal and professional fees as stated in 1 above, and reclassification of prepayments to contract assets of approximately RMB70 million.

5. The difference is mainly due to changes in expected credit loss as stated in 1 above, reclassification of prepayments and contract assets as stated in 4 above.

FINAL DIVIDEND

The Board does not recommend the distribution of any final dividend for the year ended 31 December 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The shares of the Company had been listed on the AIM market of the London Stock Exchange from May 2011 to July 2020. On 23 October 2019, the shareholders of the Company passed a resolution at an extraordinary general meeting to approve the cancellation of the admission of the shares of the Company to be traded on the AIM and, in the best interests of the Company, to proceed with an application for listing of the shares of the Company on the Main Board of the Stock Exchange (the "**Listing**").

Given the hard work of the Company's management team and other professional parties, on 15 July 2020 (the "**Listing Date**"), the shares of the Company were finally delisted from AIM and successfully listed on the Main Board of the Stock Exchange. This was another milestone for the Group.

The Company is a leading ethanol production system producer in the PRC. The Group primarily provides integrated services including engineering design, equipment manufacturing, installation and commissioning and subsequent value-added maintenance for the core system of ethanol production system in the ethanol fuel and alcoholic beverage industries in the PRC. The Group is able to undertake a "turn-key" project for ethanol produces as a main contractor. During 2020, the Group continued to undertake two new fuel ethanol construction projects, such as Harbin Hongzhang Bioenergy Limited and Heilongjiang Wanlirunda Bio-tech Limited. The Group has also been undertaking dozens of up-grade projects for fuel ethanol, edible alcohol and medicinal alcohol producers.

In the early 2020, COVID-19 epidemic broke out and spread rapidly around the world. Thanks to the strict epidemic prevention measures implemented by the Center for Disease Control and Prevention and the Group's every effort to comply with the draconian regulations imposed by the local government to contain the virus, the Company's personnel could return to work and production safely without disruption. After returning to work, in order to achieve the annual objectives and tasks, the Company continued to adhere to the customer-oriented service concept, focused on production and implementation, overcame various difficulties, actively explored the market, deepened internal management, and improved the quality of products and services. At the end of the Reporting Year, the Company has achieved the expected target of revenue. The outbreak of COVID-19 has no material impact to the Company's business operations in 2020.

During 2020, the Group secured 33 contract projects with a total contract value of approximately RMB659.3 million and completed 26 projects. As at 31 December 2020, the Group had 40 backlog projects with a total contract value of approximately RMB722.7 million.

Research and Development

The Group has established a solid reputation in terms of advanced technology and proven track records in the ethanol production system industry in the PRC. Over the years, the Group has been devoted to research and development to drive improvement and innovation in technologies to be applied to the core system of the ethanol production system, and intends to continue to invest in our research and development efforts.

As at the date of this announcement, the Group had 34 patented technologies, which have been incorporated into its production procedures. In addition, as at the date of this announcement, the Group has submitted 19 patent registrations in the PRC and one in Brazil and were engaged in two ongoing research and development projects. We believe our advanced technologies and research and development capabilities have given us a competitive edge and allowed us to continue in securing contracts from customers through our provision of high-quality and innovative ethanol production system technology integrated services.

OUTLOOK

In 2021, it is believed that with the promotion of vaccination, the COVID-19 epidemic will be gradually contained and the global economy, especially China's economy, will recover. The development plan of fuel ethanol in China is still proceeding in an orderly manner as planned, and the Company will strengthen management to maintain the stable growth of its original Engineering, Procurement, Construction business. In the 14th Five-Year Plan, the Chinese government continued to focus on developing the real economy to unswervingly build a country with strong manufacturing capability, which will promote our green manufacturing business. The Company will invest certain resources in product manufacturing and operation to increase its operating income. In addition, the Company will strengthen its scientific and technological innovation and increase investment in research and development. In addition to completing the major scientific research projects in Guangdong Province as planned, the Company will make moderate investment in cellulose ethanol technology to maintain its capabilities in scientific and technological innovation.

In terms of the direction of the Company's business development, in addition to maintaining the existing business in mainland China, we will also expand new businesses. According to the planning goal of "carbon peak and carbon neutralization" put forward by the Chinese government, the Company will develop projects of hydrogen production from ethanol and methanol with a focus on the development of industrial chain, and propose the product equipment plan of "in-situ hydrogen production and liquid phase hydrogen production" for the innovation of hydrogen energy development direction. The Company will solve the issues of hydrogen energy storage, transportation and safety, actively develop international business, and carry out marketing according to the ideas of stabilizing Southeast business, implementing African continent business and developing South American business. We believe that our management team and partners will work together to provide high-quality services for customers and create new achievements for the Company.

FINANCIAL REVIEW

Revenue

During the Reporting Year, the Company realised a total operating revenue of RMB521.6 million (2019: RMB398.6 million), an increase of 30.9% over the year ended 31 December 2019, and a net profit of RMB44.4 million (2019: RMB59.2 million), which decreased by 25% compared to the year ended 31 December 2019. The sustained growth of revenue indicated the minimal impact of the epidemic on the Company's business and the continuous growth in demand for ethanol production systems. The decrease of net profit was mainly due to the increase of RMB24.8 million in the administrative expenses and net impairment losses increase of RMB12.7 million on financial and contract assets in the Reporting Year.

Cost of sales

Cost of sales increased by approximately RMB99.7 million, or 34.5%, from approximately RMB289.1 million for the year ended 31 December 2019 to approximately RMB388.8 million for the Reporting Year. Such increase was mainly driven by the corresponding increase in revenue.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB23.3 million, or 21.3%, from approximately RMB109.4 million for the year ended 31 December 2019 to approximately RMB132.7 million for the Reporting Year. The Group's overall gross profit margin decreased from approximately 27.5% for the year ended 31 December 2019 to approximately 25.4% for the Reporting Year. The decrease in gross profit margin was mainly due to a sizable contract priced at wholesale price by a regular customer. Since the Group secured many projects from this customer for many years, we made a concession to N1908 Project's profit in order to maintain relationship with the customer.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately RMB0.2 million, or 2.3%, from approximately RMB8.6 million for the year ended 31 December 2019 to approximately RMB8.8 million for the Reporting Year, mainly due to the increase of bonus for marketers as a result of improvement of the Company's operation.

Administrative expenses

The administrative expenses increased by approximately RMB24.8 million, or 89.5%, from approximately RMB27.7 million for the year ended 31 December 2019 to approximately RMB52.5 million for the Reporting Year. Such increase was mainly attributable to the increase in legal and professional fees and non-recurring listing expenses.

Net impairment losses on financial and contract assets

The Group's net impairment losses on financial and contract assets increased by approximately RMB12.6 million, or 350%, from RMB3.6 million for the year ended 31 December 2019 to approximately RMB16.2 million for the Reporting Year, mainly due to the uncertainty of the further development of COVID-19 that the Company had cautiously increased the expected loss rate of trade receivables and contract assets.

Other income and other gains – net

The other income and other gains – net decreased by approximately RMB1.1 million from approximately RMB4.2 million for the year ended 31 December 2019 to approximately RMB3.1 million for the Reporting Year, primarily due to no gains on disposal of returned goods in 2020.

Finance costs – net

The Group's net finance costs increased from approximately RMB1.34 million for the year ended 31 December 2019 to approximately RMB1.37 million for the Reporting Year, due to a stable use of loan facilities.

Income tax expense

The income tax expense decreased by approximately RMB0.7 million from approximately RMB13.3 million for the year ended 31 December 2019 to approximately RMB12.6 million for the Reporting Year, primarily attributable to the decrease in the taxable profit during the Reporting Year. Guangdong Zhongke Tianyuan New Energy Science and Technology Co. Ltd.* (廣東中科天元新能源科技有限公司), being a wholly-owned subsidiary of the Company which qualified as High and New Technology Enterprise in 2019, was entitled to a preferential income tax rate of 15%. The effective tax rate for 2020 was 22.1%, which was higher than the China corporate preferential income tax rate of 15%. This was mainly due to the loss position from increasing of listing expenses incurred by the Company, reducing the profit before tax of the Group.

Profit for the year

As a result of the foregoing, for the Reporting Year, the Group recorded a net profit of approximately RMB44.4 million as compared to a net profit of approximately RMB59.2 million for the year ended 31 December 2019, representing a decrease of approximately RMB14.8 million or 25%.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 15 July 2020. On 23 September 2020, 38,786,855 ordinary shares were alloted and issued pursuant to exercise of share options under the pre-IPO share option schemes adopted on 17 October 2017 by the Directors and employees of the Group each at a price of GBP0.015. The share capital of the Company comprised only ordinary shares. As at 31 December 2020, there were a total of 589,758,898 shares in issue.

The Group's operation and investments were financed principally by cash generated from its business operations and equity contribution from the shareholders.

As at 31 December 2020, the Group had net current assets of approximately RMB205.4 million (2019: approximately RMB87.9 million) and bank deposits, balances and cash of approximately RMB37.3 million (2019: approximately RMB28.8 million).

* *For identification purposes only*

As at 31 December 2020, the Group's total equity attributable to owners of the Company amounted to approximately RMB242.6 million (2019: approximately RMB130.4 million), and the Group's total debt comprising lease liabilities amounted to approximately RMB256.6 million (2019: approximately RMB270.6 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

Gearing ratio is calculated based on the net debt divided by total capital. Net debt is calculated as total borrowings plus convertible notes plus lease liabilities less cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt. The gearing ratio of the Company was not applicable as at 31 December 2020 (2019: approximately 0.06), which was mainly due to increase in cash and cash equivalents.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Year, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures. Save as disclosed in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as at 31 December 2020.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2020, the Group's borrowings were approximately RMB20.7 million (31 December 2019: RMB18.9 million), of which RMB11.2 million will be repayable within 1 year. Such loans were all denominated in RMB, the weighted average effective interest rates as at 31 December 2020 and 2019 are 4.72% and 6.36% respectively. There is no seasonal requirement for borrowings.

As at 31 December 2020, the right-of-use land and buildings of the Company's subsidiaries and trade and bills receivables have been pledged to the Bank of China as security for banking facilities granted to the Group. The pledged land and properties will be released upon the settlement of relevant loans.

FOREIGN EXCHANGE EXPOSURE

For the Group's operation in China, the major revenue and expenses are denominated in RMB, while there are certain monetary assets and monetary liabilities that are denominated in Hong Kong dollars, which would expose the Group to foreign exchange risk.

The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

TREASURY POLICY

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. Bank borrowings of the Group are all denominated in RMB and have been arranged on instalment repayment basis. It is the Group's policy not to enter into derivative transactions for speculative purposes.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2020 (2019: Nil).

COMMITMENTS

As at 31 December 2020, the Group had RMB0.5 million capital commitments for acquisition of a subsidiary (2019: Nil).

INFORMATION ON EMPLOYEES

As at 31 December 2020, the Group had 103 employees (2019: 96 employees). The increase in the number of employees was mainly attributable to the staff turnover in the project management and support department in the PRC.

The Group believes that on-going and continuous development of its employees is critical to its success. The Group provides its employees with tailored training programmes that are designed to upgrade their skills and knowledge and to prepare them for the next step in their career path within the Group. The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws of China. The remuneration offered to employees generally includes salaries and bonuses. In general, the Group determines salaries of its employees based on each employee's qualification, position and performance.

EVENTS AFTER THE REPORTING DATE

As from 31 December 2020 to the date of this results announcement, no significant events have occurred.

LISTING EXPENSES

During the year ended 31 December 2020, the Group incurred listing expenses of approximately RMB17.5 million for the Listing on the Main Board of the Stock Exchange (2019: approximately RMB11.7 million).

USE OF PROCEEDS FROM GLOBAL OFFERING

The net proceeds from the Listing, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$20 million. After the Listing, a part of these proceeds has been applied for working capital and on-going research and development projects.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date up to 31 December 2020:

	Planned use of proceeds as set out in the Prospectus *HK$ Million*	**Actual use of proceeds from the Listing Date to 31 December 2020** *HK$ Million*	**Unutilised balance as at 31 December 2020** *HK$ Million*
Strengthening financial position to pay for project costs (80%)	16	11	5
Funding the research and development projects (10%)	2	2	0
General working capital (10%)	2	2	0

During the Reporting Year, the net proceeds from the Listing were utilised in the manners as disclosed in the Prospectus and there has been no change in the use of proceeds.

Up to 31 December 2020, approximately HK$15 million out of net proceeds from the Listing had been utilised. The remaining unutilised net proceeds were deposited in the bank. The Company intends to apply the rest of net proceeds in the manner as stated in the Prospectus. The Directors will constantly evaluate the Group's business objectives and specific needs from time to time.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving and maintaining high standards of corporate governance. The Board believes that good and effective corporate governance practices are key to safeguard the interests of the shareholders of the Company and to sustain the success of the Group to create long-term value for the shareholders of the Company.

In the opinion of the Directors, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules from the Listing Date to 31 December 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the period from the Listing Date to 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 31 December 2020.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results for the year ended 31 December 2020 with management.

SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, KTC Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KTC Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited on this announcement.

EXTRACT OF THE AUDITOR'S REPORT

Basis for qualified of Opinion

Payments for various professional and consultancy services

The auditors which were originally engaged by the Company to act as auditors of the consolidated financial statements of the Group for the financial year ended 31 December 2020 (the "**Predecessor Auditors**") resigned as auditors with effect from 28 June 2021. The Predecessor Auditors had raised concerns (the "**Audit Issues**") over certain payments of a total of not less than RMB18,603,000 (equivalent to HK$21,995,000) paid by the Group to various service providers (the "**Service Providers**") for various professional and consultancy services (the "**Concerned Transactions**"). The Audit Issues in relation to the Concerned Transactions included the commercial substance and business rationale for engaging the Service Providers to provide such services shortly after the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 15 July 2020 and for prepaying the entire contract sum in full, and whether there was any relationship between certain of the Service Providers with the Group and its management. The Independent Investigation Committee formed by the Company has engaged an independent professional advisor (the "**Advisor**") to conduct an independent investigation on the Concerned Transactions. The Advisor completed its investigation and issued an independent investigation report dated 17 January 2022.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the validity, business rationale, commercial substance and classification of the payment transactions that led to the recognition by the Group of the purported professional, advisory and consultancy service fees of approximately RMB18,603,000 as legal and professional fees expenses included in administrative expenses recognised in consolidated profit or loss for the year ended 31 December 2020 and whether any of the parties involved in the Concerned Transactions were related to the Group or related parties of the Group as there were certain limitation in the Advisor's work as stated in the Advisor's independent report. The limitations of the independent investigation were described in the announcement of the Company dated 28 January 2022, including the refusal of some interviewees to attend any interview by way of video conference or telephone call with the Advisor. In addition, certain part of the work of the Advisor was not backed by sufficient supporting documents and the management of the Company was unable to provide us with sufficient documentary evidence to corroborate the explanations about the business rationale and commercial substance of the Concerned Transactions. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether these professional, advisory and consultancy services fee expense of approximately RMB18,603,000 and the related disclosures thereof in the consolidated financial statements were free from material misstatement. Any adjustments that might have been found necessary may have a significant effect on the fair presentation of the consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2020, including the classification and related disclosure in the consolidated financial statements of the expenses or losses arising from the Concerned Transactions.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zkty.com.cn), and the annual report for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:00 a.m. on 1 April 2021 and will remain suspended until further notice. The Company will publish further announcement(s) to keep the Company's shareholders and potential investors informed of the status and development of the Company as and when appropriate, as well as announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
China New Energy Limited
Yu Weijun
Chairman

Hong Kong, 22 April 2022

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Yu Weijun (Chairman) and Mr. Tang Zhaoxing (Chief Executive Officer); and three independent non-executive directors, namely Mr. Richard Antony Bennett, Mr. Chan Shing Fat Heron and Mr. Chan Siu Shan Sam.