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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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Reference is made to the announcements of China New Energy Limited (the “**Company**”) dated 23 March 2021 and 31 March 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company, together with its subsidiaries (the “**Group**”), is pleased to announce the unaudited annual consolidated results (the “**annual results**”) of the Group for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019. For the reasons explained in the paragraphs headed “Review of Unaudited Annual Consolidated Results” and “Further Announcement(s)” in this announcement, the audit process for the annual results of the Group has not been completed as at the date of this announcement.

FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group for the year ended 31 December 2020 amounted to approximately RMB521.6 million, representing an increase of approximately 30.9% as compared with the revenue of approximately RMB398.6 million for the year ended 31 December 2019.
- The unaudited profit attributable to owners of the Group for the year ended 31 December 2020 was approximately RMB55.2 million, representing a decrease of approximately 6.8% as compared to the audited profit attributable to owners of approximately RMB59.2 million for the year ended 31 December 2019.
- Unaudited basic and diluted earnings per share for the year ended 31 December 2020 were RMB0.109 and RMB0.101 respectively, compared with RMB0.133 and RMB0.128 respectively for the year ended 31 December 2019.

CONSOLIDATED INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Revenue	3	521,561	398,558
Cost of sales	4	<u>(388,122)</u>	<u>(289,141)</u>
Gross profit		133,439	109,417
Selling and marketing expenses	4	(9,671)	(8,617)
Administrative expenses	4	(41,552)	(27,700)
Net impairment losses on financial assets and contract assets		(15,610)	(3,555)
Other income	5	2,350	1,836
Other gains – net		<u>187</u>	<u>2,409</u>
Operating profit		69,143	73,790
Finance income		45	49
Finance costs		<u>(1,415)</u>	<u>(1,384)</u>
Finance costs-net		<u>(1,370)</u>	<u>(1,335)</u>
Profit before income tax		<u>67,773</u>	<u>72,455</u>
Income tax expenses	6	<u>(12,608)</u>	<u>(13,287)</u>

		Year ended 31 December	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Profit for the year		<u>55,165</u>	<u>59,168</u>
Profit attributable to:			
Owners of the Company		55,165	59,168
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>55,165</u>	<u>59,168</u>
Earnings per share for profit			
attributable to owners of the Company			
(expressed in RMB per share)			
Basic earnings per share	7	0.109	0.133
Diluted earnings per share	7	<u>0.101</u>	<u>0.128</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit for the year	55,165	59,168
Other comprehensive (loss)/income		
<i>Items that may not be reclassified to profit or loss</i>		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	(362)	13
<i>Items that may be reclassified to profit or loss</i>		
– Exchange differences on translation of foreign operations	<u>(1,756)</u>	<u>(238)</u>
Other comprehensive loss for the year, net of tax	<u>(2,118)</u>	<u>(225)</u>
Total comprehensive income for the year	<u>53,047</u>	<u>58,943</u>
Total comprehensive income attributable to:		
Owners of the Company	53,047	58,943
Non-controlling interests	<u>–</u>	<u>–</u>
	<u>53,047</u>	<u>58,943</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Financial assets at fair value through other comprehensive income		4,589	5,015
Investment in an associate		–	–
Property, plant and equipment		11,276	11,589
Intangible assets		19,847	18,252
Right-of-use assets		5,150	6,281
Deferred tax assets		6,541	4,325
		<u>47,403</u>	<u>45,462</u>
Current assets			
Inventories		5,970	3,358
Contract assets		208,121	118,108
Trade and bills receivables	8	72,892	94,628
Other receivables and prepayments		137,345	110,688
Restricted cash		–	2,321
Cash and cash equivalents		37,322	26,466
		<u>461,650</u>	<u>355,569</u>
Total assets		<u>509,053</u>	<u>401,031</u>

		As at 31 December	
		2020	2019
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
EQUITY			
Equity attributable to Owners of the Company			
Share capital		1,762	1,444
Reserves		<u>251,433</u>	<u>128,986</u>
Total equity		<u>253,195</u>	<u>130,430</u>
LIABILITIES			
Non-current liabilities			
Borrowings		9,500	–
Lease liabilities		1,956	2,889
Deferred income		<u>2,400</u>	<u>–</u>
		<u>13,856</u>	<u>2,889</u>
Current liabilities			
Contract liabilities		20,226	15,140
Borrowings		11,172	18,941
Convertible notes		–	11,847
Trade payables	9	85,685	114,755
Other payables		77,482	72,916
Lease liabilities		1,051	1,073
Current income tax liabilities		<u>46,386</u>	<u>33,040</u>
		<u>242,002</u>	<u>267,712</u>
Total liabilities		<u>255,858</u>	<u>270,601</u>
Total equity and liabilities		<u>509,053</u>	<u>401,031</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in Renminbi thousands unless otherwise stated)

1. General information

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, Hilgrove Street, St Helier, Jersey, Channel Islands, JE1 1ES. The shares of the Company have been listed and admitted to trading on AIM since 23 May 2011.

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" or "China").

As at 15 July 2020, the shares (the "Shares") of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing"). On the same day, the shares of the Company were delisted from the AIM market of the London Stock Exchange.

The financial statements are presented in Renminbi Yuan (RMB), unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

2.1.2 Historical cost convention

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and convertible notes measured at fair value.

2.1.3 New and revised standards adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Amendment to IFRS 16 – Leases – Covid-19 related rent concessions

2.1.4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transaction.

3. Revenue and segment information

(a) Revenue

	Year ended 31 December	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Audited)
Ethanol fuel construction services	422,573	347,184
Alcoholic beverage construction services	97,695	45,080
Others	1,293	6,294
Total	521,561	398,558
– Recognised over time	519,683	396,534
– Recognised at a point in time	1,878	2,024

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
PRC	511,873	379,852
Myanmar	7,723	622
Russia	–	187
Indonesia	1,704	14,601
Other countries	261	3,296
	<u>521,561</u>	<u>398,558</u>
Total	<u>521,561</u>	<u>398,558</u>

4. Expenses by nature

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Costs of engineering services	63,295	52,256
Raw materials and consumables used	317,446	229,855
Employee benefit expenses	16,532	12,681
Depreciation charges	3,083	2,188
Amortisation charges	2,203	1,853
Office utilities	3,016	3,455
Travel and transportation and business entertainment expenses	3,731	5,620
Legal and professional fees	7,767	1,305
Auditors' remuneration– audit services	1,803	1,584
Listing expenses	17,482	11,665
Other expenses	2,987	2,996
	<u>439,345</u>	<u>325,458</u>
Total	<u>439,345</u>	<u>325,458</u>

5. Other income

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Subsidy income	2,350	1,836
	<u>2,350</u>	<u>1,836</u>
Total	<u>2,350</u>	<u>1,836</u>

6. Income tax expenses

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Current income tax expense	14,760	11,862
Deferred income tax (credit)/expense	<u>(2,152)</u>	<u>1,425</u>
Total income tax expenses	<u>12,608</u>	<u>13,287</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the Group as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit before tax	67,773	72,455
Tax calculated at applicable enterprise income tax rate: 25%	16,943	18,114
Difference in tax rates	(3,022)	(5,017)
Effect of tax losses and temporary difference		
not recognised as deferred tax assets	287	320
Expenses not deductible for tax purposes	204	139
Super deduction of research and development expenditure	(990)	(269)
Others	<u>(814)</u>	<u>—</u>
PRC corporate income tax	12,608	13,287
PRC withholding income tax	<u>—</u>	<u>—</u>
	<u>12,608</u>	<u>13,287</u>

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 not regarded as resident for tax purposes in Jersey for the purposes of the Income Tax (Jersey) Law 1961, as amended.

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 year 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 year 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.

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").

7. Earnings per share

(a) Basic earnings per share

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit attributable to owners of the Company	55,165	59,168
Weighted average number of ordinary shares in issue (thousand shares)	<u>504,356</u>	<u>444,448</u>
Basic earnings per share	<u><u>0.109</u></u>	<u><u>0.133</u></u>

(b) **Diluted earnings per share**

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Profit attributable to owners of the Company	53,703	60,409
Weighted average number of ordinary shares in issue (thousand shares)	529,628	471,402
Dilutive earnings per share	0.101	0.128

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
<i>Basic earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	55,165	59,168
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the Company:		
Used in calculating basic earnings per share	55,165	59,168
Add: fair value (gains)/loss on convertible notes	(1,462)	1,241
Used in calculating diluted earnings per share	53,703	60,409

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

	Year ended 31 December	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Audited)
Weighted average number of ordinary shares (thousand shares) used as the denominator in calculating basic earnings per share	504,356	444,448
Adjustments for calculation of diluted earnings per share:		
Share options granted under the Pre-IPO Share Option Scheme (thousand shares) (note i)	12,491	5,979
Convertible notes (thousand shares) (note ii)	12,781	20,975
	<hr/>	<hr/>
Weighted average number of ordinary shares (thousand shares) and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>529,628</u>	<u>471,402</u>

Note i

On 20 October 2017, the Group granted 39,300,508 share options for the long-term incentive of directors and 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 minus the weighted average number 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 HK\$5,250,000 and HK\$6,250,000 on 8 February 2019 and 15 February 2019 respectively. Convertible notes are included in the determination of diluted earnings per share from their date of issue.

8. Trade and bills receivables

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade and bills receivables – third parties		
– third parties	90,092	105,752
Less: allowance for impairment of trade and bills receivables	(17,200)	(11,124)
Trade and bills receivables – net	<u>72,892</u>	<u>94,628</u>

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within one year	58,243	80,880
One to two years	11,227	8,315
Two to three years	2,997	5,433
Over three years	425	–
	<u>72,892</u>	<u>94,628</u>

As at 31 December 2020 and 2019, the fair value of trade and bills receivables approximated their carrying amounts.

As at 31 December 2020 and 2019, trade and bills receivables are denominated in RMB.

9. Trade payables

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade payables (note(a))	85,685	114,755

The fair value of trade payables approximated to their carrying amounts as at 31 December 2020 and 2019 due to their short maturities.

The Group's trade payables as at 31 December 2020 and 2019 were denominated in RMB.

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
less than one year	47,049	94,965
1-2 years	23,963	8,800
2-3 years	5,302	3,438
over 3 years	9,371	7,552
	85,685	114,755

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Shares had been listing 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 to be trading on the AIM and, in the best interests of the Company, to propose an application for listing on the Main Board of the Stock Exchange.

Through the hard work of the Company's management team and other professional parties, on 15 July 2020 (the "**Listing Date**"), the Shares were 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 producers as a main contractor. During 2020, the Group continued to undertake two new fuel ethanol construction projects, such as Haerbin 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 (the "**CDC**") 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, focus on production and implementation, overcome various difficulties, actively explore the market, deepen internal management, and improve the quality of products and services. At the end of the year, the Company has achieved the expected target of revenue. The outbreak of COVID-19 has no material impact on the Company's financial condition and 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 will continue to invest in our research and development efforts.

As at the date of this report, the Group had 34 patented technologies, which have been incorporated into its production procedures. In addition, as at the date of this report, the Group has submitted 19 patent registrations in the PRC and 1 in Brazil and were engaged in two ongoing research and development projects. The Company believes that its advanced technologies and research and development capabilities have given it a competitive edge and allowed the Group to continue in securing to secure contracts from customers through provision of high-quality and innovative ethanol production system technology integrated services.

OUTLOOK

In 2021, it is believed that with the roll out 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 EPC business. In the 14th Five-Year Plan, the PRC government continued to focus on developing the real economy to unswervingly build a country with strong manufacturing capability, which will promote the Company's 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 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, the Company will also expand new businesses. According to the planning goal of "carbon peak and carbon neutralisation" put forward by the PRC government, the Company will develop projects of hydrogen production from ethanol and methanol with a focus on development of industrial chain, and propose a product equipment plan on "in-situ hydrogen production and liquid phase hydrogen production" in the development direction of innovation of hydrogen energy. The Company will solve the issues of hydrogen energy storage, transportation and safety, actively develop international business, and carry out marketing according to plans to stabilise Southeast business, implement African continent business and develop South American business.

The Company believes that its 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 Period, the Company recorded a total operating revenue of RMB521.6 million (RMB398.6 million in 2019), an increase of 30.9% over the year ended 31 December 2019, and a net profit of RMB55.2 million (RMB59.2 million in 2019), which decreased by 6.8% 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 in net profit was mainly due to the increase of RMB5.8 million in the Listing fees and net impairment losses increase of RMB12.1 million on financial and contract assets in the Reporting Period.

Cost of sales

Cost of sales increased by approximately RMB98.98 million, or 34.2%, from approximately RMB289.1 million for the year ended 31 December 2019 to approximately RMB388.1 million for the Reporting Period. 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 RMB24.0 million, or 22.0% from approximately RMB109.4 million for the year ended 31 December 2019 to approximately RMB133.4 million for the Reporting Period. The Group's overall gross profit margin decreased from approximately 27.5% for the year ended 31 December 2019 to approximately 25.6% for the Reporting Period. The decrease in gross profit margins was mainly due to a sizable contract priced at wholesale price by a regular customer.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately RMB1.1 million, or 12.2% from approximately RMB8.6 million for the year ended 31 December 2019 to approximately RMB9.7 million for the Reporting Period, mainly due to the increase of bonus for marketers as a result of improvement in the Company's operation.

Administrative expenses

The administrative expenses increased by approximately RMB13.9 million, or 50%, from approximately RMB27.7 million for the year ended 31 December 2019 to approximately RMB41.6 million for the Reporting Period. 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 asset

The Group's net impairment losses on financial and contract asset increased by approximately RMB12.0 million, or 333.3% from RMB3.6 million for the year ended 31 December 2019 to approximately RMB15.6 million for the Reporting Period, mainly due to the uncertainty of the further development of COVID-19 according to which 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 RMB1.7 million from approximately RMB4.2 million for the year ended 31 December 2019 to approximately RMB2.5 million for the Reporting Period, primarily due to no gains on disposal of returned goods in 2020.

Finance costs – net

The Group's net finance costs increased from approximately RMB1.3 million for the year ended 31 December 2019 to approximately RMB1.4 million for the Reporting Period, due to a stable use of loan facilities.

Income tax expenses

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 Period, primarily attributable to the decrease in the taxable profit during the Reporting Period.

Profit for the year

As a result of the foregoing, for the Reporting Period, the Group recorded a net profit of approximately RMB55.2 million as compared to a net profit of approximately RMB59.2 million for the year ended 31 December 2019, representing a decrease of approximately RMB4.0 million or 6.8%.

USE OF PROCEEDS FROM THE 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\$20.20 million. After the Listing, a part of these proceeds has been applied for working capital and on-going research development projects.

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

		Actual use of proceeds from the Listing Date to 31 December 2020	Unutilised balance as at 31 December 2020
	Net proceeds	2020	2020
	HK\$ Million	HK\$ Million	HK\$ Million
Strengthening financial position to pay for project costs (80%)	16.2	10.5	5.7
Funding the research and development projects (10%)	2.0	2.0	0
General working capital (10%)	2.0	2.0	0
	<u>20.2</u>	<u>20.2</u>	<u>0</u>

During the Reporting Period, the net proceeds from the Listing were utilised in the manners as disclosed in the prospectus of the Company dated 30 June 2020 (the “**Prospectus**”) and there has been no change in the use of proceeds.

Up to 31 December 2020, approximately HK\$14.5 million of net proceeds from the Listing had been used. The remaining unutilised net proceeds were deposited in the Bank of China (Hong Kong) Limited in Hong Kong. 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.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Shares 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 allotted and issued pursuant to exercise of options by the Directors and employees each at a price of GBP0.015 per share pursuant to pre-IPO share option schemes (the “**Pre-IPO Share Option Schemes**”). 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 RMB219.6 million (2019: approximately RMB87.9 million) and cash and cash equivalents and restricted cash of approximately RMB37.3 million (2019: approximately RMB28.8 million).

As at 31 December 2020, the Group’s total equity attributable to owners of the Company amounted to approximately RMB253.2 million (2019: approximately RMB130.4 million), and the Group’s total debt comprising lease liabilities amounted to approximately RMB23.7 million (2019: approximately RMB34.8 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

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 (“**total debt**”) 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), mainly due to the increase in cash and cash equivalents which exceeded the total debt.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group did not make any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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 (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 were 4.72% and 6.36%, respectively. There is no seasonal requirement for borrowings.

As at 31 December 2020, the right of-use assets and property, plant and equipment of the Company's subsidiaries and trade receivables have been pledged to the Bank of China Limited in the PRC as security for banking facilities granted to the Group. The pledged assets 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).

SEGMENT INFORMATION

Segment information for the Group is presented as disclosed in note 6 to the consolidated financial statements of this announcement.

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.

For the Reporting Period, the total staff cost (including Directors' emoluments and mandatory provident funds contributions) amounted to approximately RMB18.8 million (2019: approximately RMB14.8 million). The Directors and senior employees have exercised the "Pre-IPO Share Option Scheme" on 23 September 2020. There is no valid share option scheme as of 31 December, 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND SUSPENSION OF TRADING

Save as disclosed in this announcement, the announcement dated 31 March 2021 relating to (among others) the suspension of trading in the shares of the Company with effect from 1 April 2021 and the announcement dated 13 April 2021 relating to the formation of an Independent Investigation Committee, the Group had no other significant event requiring disclosure subsequent to 31 December 2020 and up to the date of this announcement.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 1 April 2021, and will remain suspended until further notice. The Company will keep the public informed of the latest developments by making further announcement(s) as and when appropriate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

During the year ended 31 December 2020, the Company has complied with all the code provisions set out in the CG Code. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practice.

Review of Unaudited Annual Consolidated Results

The audit process for the annual results for the Reporting Period had not been completed since the Company's auditor (the "**Auditor**") requires additional information and explanation on certain matters relating to the payments for various professional and consultancy services. The unaudited annual results contained herein have not been agreed with the Auditor as required under Rule 13.49(1) and 13.49(2) of the Listing Rules.

The unaudited annual results of the Group for the Reporting Period have been reviewed by the Audit Committee.

Further Announcement(s)

Subject to the completion of the Investigation, the Company will issue further announcement(s) in relation to (i) the audited consolidated annual results for the Reporting Period agreed by the Auditor and the material differences (if any) as compared with the unaudited consolidated annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting of the shareholders of the Company will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the forthcoming annual general meeting and determine shareholders' entitlement to the final dividend, if any. In addition, the Company will issue further announcement(s) when necessary if there are other material developments in the completion of the audit process.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company. The annual report of the Group for the year ended 31 December 2020 will be published on the aforesaid websites of the Stock Exchange and the Company and will be despatched to the Company's shareholders in due course following the completion of the audit process.

APPRECIATION

The Directors would like to take this opportunity to express sincere gratitude to all shareholders for their continued support and to thank all staff members of the Group for their dedication and contribution to the Group.

The financial information contained herein in respect of the annual results of the Group have not been audited. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 15 April 2021

As at the date of this announcement, the executive Directors are Mr. Yu Weijun and Mr. Tang Zhaoxing; and the independent non-executive Directors are Mr. Richard Antony Bennett, Mr. Chan Shing Fat Heron and Mr. Chan Siu Shan Sam.