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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)

QUARTERLY UPDATE ON STATUS OF RESUMPTION, UPDATES ON THE BUSINESS OPERATIONS AND RESIGNATION OF AUDITOR

This announcement is made by China New Energy Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09, 13.24A and 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements (the “**Announcements**”) of the Company dated 23 March 2021, 31 March 2021, 13 April 2021 and 7 May 2021 in relation to, amongst other matters, the delay in publication of the final results of the Group for the year ended 31 December 2020 and the suspension of trading of its shares. Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as those defined in the Announcements.

RESUMPTION GUIDANCE

As disclosed in the announcement of the Company dated 7 May 2021, the Stock Exchange has set out the following resumption guidance for the Company:

- (i) conduct an appropriate independent investigation into the audit issues raised by the Company's auditors as disclosed in the announcement of the Company dated 31 March 2021 (the "**Independent Investigation**"), assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;
- (ii) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (iii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- (iv) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

In compliance with Rule 13.24A of the Listing Rules, the quarterly updates on the Company's progress and development of the resumption of trading of the shares of the Company are set out below.

UPDATES ON RESUMPTION PLAN OF THE GROUP AND PROGRESS OF RESUMPTION PLAN

The Independent Investigation Committee has appointed Messrs. DLA Piper Hong Kong ("**DLA**") to, inter alia, conduct the Independent Investigation and prepare an investigation report in respect of the audit issues.

Set out below is the resumption plan with details of actions that the Company intends to take and the expected timeframe with a view of resumption of trading in the shares of the Company:

Key Events	Timeframe
Conducting the Independent Investigation and preparation of the investigation report	Subject to the work progress of DLA
Publication of the announcement of the annual results for the year ended 31 December 2020	Subject to further assessment by the Board
Publication of the annual report for the year ended 31 December 2020	Subject to further assessment by the Board
Resumption of trading in the shares of the Company	Subject to further assessment by the Board

The Company is taking appropriate steps to resolve the issues causing its trading suspension and to fully comply with the Listing Rules to the Stock Exchange's satisfaction with the aim of resuming trading in the shares of the Company as soon as practicable.

The Company will publish announcement(s) to update its shareholders of the key events as and when appropriate in compliance with the requirements under the Listing Rules.

UPDATES ON THE BUSINESS OPERATIONS OF THE GROUP

The Group is a leading ethanol production system producer in the People's Republic of China ("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.

Notwithstanding the suspension of trading, the Company is carrying on its business operations as usual. The Company will publish announcement(s) to update its shareholders of any major changes to the above matters, as and when appropriate.

RESIGNATION OF AUDITOR

The Board hereby announces that the Company received a letter of resignation dated 28 June 2021 from the Company's auditor, PricewaterhouseCoopers ("**PwC**").

The Company was unable to meet the deadline for the publication of the announcement in relation to the audited final results of the Group for the year ended 31 December 2020 ("**the 2020 Final Results**") by 31 March 2021 as required under Rules 13.49(1) and 13.49(2) of the Listing Rules.

As mentioned in the previous announcement dated 31 March 2021 ("**the Previous announcement**"), PwC during the course of our audit of the Company's financial statements for the year ended 31 December 2020, raised concerns over the payments of a total of not less than HK\$21,995,000 to various service providers for various professional and consultancy services ("**the Transactions**").

According to PwC's letter of resignation dated 28 June 2021 (the "**Resignation Letter**"), PwC has raised concerns on the following Transactions and have requested for additional information and explanation. These matters also represent the matters PwC considers should be brought to the attention of the Company's shareholders and creditors.

- (a) An agreement dated 14 July 2020 between the Company and DL Securities (HK) Limited ("**DL Securities**") pursuant to which DL Securities agreed to provide advisory and related services on potential corporate finance, strategic planning, identify potential target for acquisition for a period of 18 months for a fee of HK\$5,760,000;
- (b) An agreement dated June 2020 between the Company and Financial Asia Group (HK) Limited ("**Financial Asia**") pursuant to which Financial Asia agreed to provide public relation, promotion and related services for a period of 18 months for a fee of HK\$1,360,000;
- (c) An agreement dated 30 June 2020 between the Company and Intelligent Joy Limited ("**Intelligent Joy**") pursuant to which Intelligent Joy agreed to provide public relations, investor relationship and related services for a period of 18 months for a fee of HK\$1,400,000;

- (d) An agreement dated 23 July 2020 between 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) (“**Zhongke Tianyuan**”), a wholly-owned subsidiary of the Company, and Cai Zhihua pursuant to which Cai Zhihua agreed to provide promotion and related services of the Group’s corporate image for a period of 12 months for a fee of HK\$1,250,000;
- (e) An agreement dated 7 August 2020 between the Company and Japan Chiyoda Kabu Limited (“**Japan Chiyoda**”) pursuant to which Japan Chiyoda agreed to provide due diligence and related services relating to a potential acquisition of “Bioneutra Global Corporation” for a fee of HK\$7,500,000; and
- (f) An agreement dated 13 July 2020 between Zhongke Tianyuan and D&J Int’l Trading Co., Limited (“**D&J**”) pursuant to which D&J agreed to provide marketing and promotion services of the Group’s products in India market for a period of 2 years for a fee of HK\$4,725,000. D&J has undertaken to secure sales orders for Zhongke Tianyuan worth not less than HK\$200,000,000.

Since the issuance of the Previous Announcement, the Company has formed the Independent Investigation Committee, and engaged an independent professional advisor to conduct the independent investigation on the Transactions, however, there is yet consensus between the Company and PwC on the timetable for completing the audit of the Company’s consolidated financial statements for the year ended 31 December 2020 (“**the 2020 Audit**”).

In the circumstances, the Board believes that it is in the best interest of the Company and its shareholders to move forward and complete the 2020 Audit and to apply for the resumption of trading in the Company’s shares as soon as possible. Hence, the Board wrote to PwC to confirm whether the 2020 Audit could be completed on or before 15 July 2021. If not, the Company would like PwC to consider resigning as the Company’s auditor. As PwC was not able to obtain all information nor satisfactory explanations in connection with the Transactions set out in the Previous Announcement, and given the Independent Investigation is still ongoing, PwC was unable to determine and perform the necessary additional audit procedures which they believe were necessary to complete the 2020 Audit and therefore not in a position to commit to the timetable proposed by the Board. After due and careful consideration, PwC agreed to resign as the auditor of the Company.

The Board would like to take this opportunity to express its gratitude and appreciation to PwC for its professional services rendered to the Company during its tenure.

The Board is in the process of identifying a suitable auditor to fill the casual vacancy arising from the resignation of PwC and further announcement in relation to the appointment of a new auditor will be made by the Company as soon as practicable.

Other than the matters disclosed in the Announcements and this announcement, the Board and the audit committee of the Company are not aware of any other matter which should be brought to the attention of the Company's shareholders regarding PwC's resignation.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect 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.

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

Hong Kong, 30 June 2021

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

For the purposes of this announcement, an English name with an asterisk () is an unofficial English transliteration or translation and is for identification purposes only.*