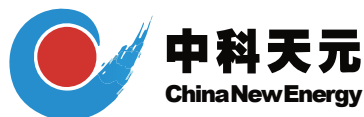


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China New Energy Limited

(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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China New Energy Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2021 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts are rounded to the nearest thousand RMB unless otherwise stated)

| | | Unaudited | |
|---|-------------|---------------------------------|------------------|
| | <i>Note</i> | Six months ended 30 June | |
| | | 2021 | 2020 |
| Revenue | 5 | 266,114 | 171,786 |
| Cost of sales | | <u>(217,506)</u> | <u>(121,511)</u> |
| Gross profit | | 48,608 | 50,275 |
| Selling and marketing expenses | | (4,147) | (6,012) |
| Administrative expenses | | (12,842) | (17,175) |
| Net impairment losses on financial and contract assets | | 103 | (8,404) |
| Other income | | 7,859 | 1,000 |
| Other gains – net | | <u>105</u> | <u>1,589</u> |
| Operating profit | | 39,686 | 21,273 |
| Finance income | | – | 58 |
| Finance costs | | <u>(796)</u> | <u>(794)</u> |
| Finance costs-net | | <u>(796)</u> | <u>(736)</u> |
| Profit before income tax | | 38,890 | 20,537 |
| Income tax expenses | 6 | <u>(4,844)</u> | <u>(4,588)</u> |
| Profit for the period | | <u>34,046</u> | <u>15,949</u> |

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(All amounts are rounded to the nearest thousand RMB unless otherwise stated)

| | Unaudited | |
|--|---------------------------------|----------------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| Profit for the period | 34,046 | 15,949 |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| – Exchange differences on translation of foreign operations | <u>268</u> | <u>776</u> |
| Total comprehensive income for the period | <u>34,314</u> | <u>16,725</u> |
| Profit/(loss) for the period attributable to: | | |
| – Owners of the Company | 34,141 | 15,949 |
| – Non-controlling interest | <u>(95)</u> | <u>–</u> |
| | <u>34,046</u> | <u>15,949</u> |
| Total comprehensive income/(loss) for the period attributable to: | | |
| – Owners of the Company | 34,409 | 16,725 |
| – Non-controlling interest | <u>(95)</u> | <u>–</u> |
| | <u>34,314</u> | <u>16,725</u> |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) | | |
| Basic earnings per share | 7 | 0.058 |
| Diluted earnings per share | 7 | 0.036 |
| | | <u>0.031</u> |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts are rounded to the nearest thousand RMB unless otherwise stated)

| | | 30 June | 31 December |
|--|-------------|-----------------------|----------------|
| | | 2021 | 2020 |
| | <i>Note</i> | Unaudited | Audited |
| ASSETS | | | |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | | 4,845 | 4,845 |
| Property, plant and equipment | | 18,514 | 14,710 |
| Right-of-use assets | | 4,594 | 5,150 |
| Intangible assets | | 24,299 | 19,847 |
| Deferred tax assets | | 6,512 | 6,479 |
| | | <u>58,764</u> | <u>51,031</u> |
| Current assets | | | |
| Inventories | | 3,989 | 5,970 |
| Contract assets | 5 | 300,363 | 143,841 |
| Trade and bills receivables | 9 | 88,934 | 74,598 |
| Other receivables and prepayments | | 125,194 | 186,409 |
| Bank balances and cash | | 12,831 | 37,322 |
| | | <u>531,311</u> | <u>448,140</u> |
| Total assets | | <u>590,075</u> | <u>499,171</u> |
| EQUITY | | | |
| Share capital | | 1,762 | 1,762 |
| Reserves | | 275,257 | 240,848 |
| Equity attributable to owners of the Company | | 277,019 | 242,610 |
| Non-controlling interests | | 346 | – |
| Total equity | | <u>277,365</u> | <u>242,610</u> |

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts are rounded to the nearest thousand RMB unless otherwise stated)

| | | 30 June | 31 December |
|-------------------------------------|-------------|-----------------------|----------------|
| | | 2021 | 2020 |
| | <i>Note</i> | Unaudited | Audited |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | | 10,000 | 9,500 |
| Lease liabilities | | 1,451 | 1,932 |
| Deferred income | | 2,400 | 2,400 |
| | | <u>13,851</u> | <u>13,832</u> |
| Current liabilities | | | |
| Contract liabilities | <i>5</i> | 24,667 | 20,226 |
| Bank borrowings | | 46,805 | 11,172 |
| Trade payables | <i>10</i> | 105,393 | 85,685 |
| Other payables | <i>10</i> | 72,006 | 78,236 |
| Lease liabilities | | 1,032 | 1,075 |
| Tax payable | | 48,956 | 46,335 |
| | | <u>298,859</u> | <u>242,729</u> |
| Total liabilities | | <u>312,710</u> | <u>256,561</u> |
| Total equity and liabilities | | <u>590,075</u> | <u>499,171</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts are rounded to the nearest thousand RMB unless otherwise stated)

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 on 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**”).

This condensed consolidated interim financial information is presented in RMB and all values are rounded to the nearest thousand (RMB’000) which is also the functional currency of the Company and its subsidiaries (collectively referred to as the “**Group**”), unless otherwise stated. The condensed consolidation interim financial information were approved for issue on 16 May 2022.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2020 financial statements as described therein.

(a) New and amended standards and interpretation adopted by the Group

The following new or amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2021.

| Standards | Subject |
|--|--|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – phase 2 |

The Group has early applied the Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021, and the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The adoption of the above new and amended standards and interpretation does not have a material impact or are not relevant to the Group.

(b) New and amended standards not yet adopted by the Group

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2021 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

| Standards | Subject | Effective for annual periods beginning on or after |
|---|---|---|
| IFRS 17 | Insurance Contracts and the related Amendments | 1 January 2023 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) | 1 January 2023 |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 | Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to IAS 16 | Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |
| Amendments to IAS 37 | Onerous Contracts - Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018 - 2020 | 1 January 2022 |

4. SEGMENT INFORMATION

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 service 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 measure reported to the executive directors for the purpose of resources allocation and performance assessment.

As at 31 December 2020 and 30 June 2021, all of the non-current assets were located in the PRC.

5. REVENUE/CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Revenue

| | Unaudited | |
|--|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| Provision of construction services | | |
| – ethanol production system technology integrated services | | |
| – Ethanol fuel industries | 186,902 | 144,058 |
| – Alcoholic beverage industries | 77,969 | 26,722 |
| – Others | 1,243 | 1,006 |
| | <u>266,114</u> | <u>171,786</u> |
| Total | <u>266,114</u> | <u>171,786</u> |
| | | |
| – Recognised over time | 264,947 | 171,413 |
| – Recognised at a point in time | 1,167 | 373 |

“Others” mainly refers to revenue generated from projects relating to the industry of ethyl acetate and vital fibre oligosaccharide.

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

| | Unaudited | |
|-----------------|---------------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| PRC | 265,674 | 163,719 |
| Other countries | 440 | 8,067 |
| Total | <u>266,114</u> | <u>171,786</u> |

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

| | As at | |
|---|-----------------------|-----------------------|
| | 30 June | 31 December |
| | 2021 | 2020 |
| | Unaudited | Audited |
| Contract assets relating to construction contracts | 310,290 | 153,768 |
| Loss allowance | (9,927) | (9,927) |
| Total contract assets | <u>300,363</u> | <u>143,841</u> |
| | | |
| Contract liabilities relating to construction contracts | <u>24,667</u> | <u>20,226</u> |

6. INCOME TAX EXPENSES

| | Unaudited | |
|---------------------|--------------------------|--------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| Current income tax | 4,877 | 5,821 |
| Deferred income tax | (33) | (1,233) |
| Income tax expenses | <u>4,844</u> | <u>4,588</u> |

(a) PRC enterprise income tax

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., which is the major subsidiary of the Group, was qualified as "High and New Technology Enterprise" in 2019 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the period ended 30 June 2021.

(b) Overseas income tax

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. For other jurisdictions, the taxes arising from offshore are borne by the overseas customers according to the contract terms.

7. EARNINGS PER SHARE

(a) Basic earnings per share

| | Unaudited | |
|--|--------------------------|--------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| Profit attributable to owners of the Company | 34,141 | 15,949 |
| Weighted average number of ordinary shares in issue (thousand shares) | 589,759 | 444,448 |
| Basic earnings per share (expressed in RMB per share) | <u>0.058</u> | <u>0.036</u> |

(b) **Diluted earnings per share**

| | Unaudited | |
|---|---------------------------------|---------------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| Profit attributable to owners of the Company used in calculating diluted earnings per share | 34,141 | 15,374 |
| Weighted average number of ordinary shares in issue and potential ordinary shares (thousand shares) | 589,759 | 490,789 |
| Dilutive earnings per share (expressed in RMB per share) | <u>0.058</u> | <u>0.031</u> |

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

| | Unaudited | |
|---|---------------------------------|----------------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| <i>Basic earnings per share</i> | | |
| Profit attributable to owners of the Company used in calculating basic earnings per share: | 34,141 | 15,949 |
| <i>Diluted earnings per share</i> | | |
| Profit attributable to owners of the Company used in calculating basic earnings per share | 34,141 | 15,949 |
| Add: fair value gains on convertible notes | <u>—</u> | <u>(575)</u> |
| Profit attributable to owners of the Company used in calculating diluted earnings per share | <u>34,141</u> | <u>15,374</u> |

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

| | Unaudited | |
|--|---------------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2021 | 2020 |
| Weighted average number of ordinary shares (thousand shares) used as the denominator in calculating basic earnings per share | 589,759 | 444,448 |
| Adjustments for calculation of diluted earnings per share: | | |
| Share options granted under the Pre-IPO Share Option Scheme (thousand shares) (<i>Note i</i>) | – | 22,416 |
| Convertible notes (thousand shares) (<i>Note ii</i>) | – | 23,925 |
| | <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>589,759</u> | <u>490,789</u> |

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) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration 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. The notes are convertible into ordinary shares of the Company upon the Company obtaining the approval for listing in Hong Kong. Assuming no adjustments to the conversion price is made, the number of conversion shares shall be 23,924,502 shares. Convertible notes are included in the determination of dilutive earnings per share from their date of issue.

8. DIVIDENDS

No dividends have been declared or paid by the Company during the period ended 30 June 2020 and 2021.

9. TRADE AND BILLS RECEIVABLES

| | As at | |
|---|------------------------------|--------------------------------|
| | 30 June 2021 Unaudited | 31 December 2020 Audited |
| Trade and bills receivables – third parties | 104,325 | 90,092 |
| Less: allowance for impairment of trade and bills receivables | <u>(15,391)</u> | <u>(15,494)</u> |
| Trade and bills receivables – net | <u>88,934</u> | <u>74,598</u> |

The ageing analysis of trade receivables based on invoice date (net of provision for impairment losses) is as follows:

| | As at | |
|--------------------|------------------------------|--------------------------------|
| | 30 June 2021 Unaudited | 31 December 2020 Audited |
| Within one year | 49,776 | 58,051 |
| One to two years | 36,881 | 12,398 |
| Two to three years | 2,271 | 4,143 |
| Over three years | <u>6</u> | <u>6</u> |
| | <u>88,934</u> | <u>74,598</u> |

As at 31 December 2020 and 30 June 2021, the fair value of trade receivables approximated their carrying amounts.

As at 31 December 2020 and 30 June 2021, trade receivables were denominated in RMB.

10. TRADE AND OTHER PAYABLES

| | As at | |
|--|----------------|----------------|
| | 30 June | 31 December |
| | 2021 | 2020 |
| | Unaudited | Audited |
| Trade payables (<i>Note (a)</i>) | 105,393 | 85,685 |
| Other payables and accruals | 20,229 | 16,733 |
| Amounts due to directors (<i>Note (b)</i>) | 340 | 306 |
| Wages payables | 2,430 | 826 |
| VAT payables | 49,007 | 60,371 |
| | <u>177,399</u> | <u>163,921</u> |

- (a) As at 31 December 2020 and 30 June 2021, the ageing analysis of trade payables based on invoice date was as follows:

| | As at | |
|--------------------|----------------|---------------|
| | 30 June | 31 December |
| | 2021 | 2020 |
| | Unaudited | Audited |
| Within one year | 79,942 | 72,665 |
| One to two years | 13,847 | 8,249 |
| Two to three years | 7,501 | 857 |
| Over three years | 4,103 | 3,914 |
| | <u>105,393</u> | <u>85,685</u> |

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following are management discussion and analysis of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021 (“**1H2021**”), together with the comparative unaudited figures for the six months ended 30 June 2020 (“**1H2020**”) and certain comparative figures as at the last audited financial year ended 31 December 2020. All amounts set out in this announcement are presented in Renminbi (“**RMB**”) unless otherwise indicated.

BUSINESS REVIEW

The Company is a leading ethanol production system producer in the People’s Republic of China (“**PRC**” or “**China**”). We primarily provide 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. On 15 July 2020 (the “**Listing Date**”), the shares of the Company were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The trading in the shares of the Company on the Stock Exchange had been suspended since 1 April 2021 due to the delay in publication of the 2020 Final Results and will remain suspended until further notice.

In the first half of 2021, the international environment was still complex and volatile. The spread of COVID-19 had not been effectively contained, and there were many destabilizing and uncertain external factors. As a result, no progress was made in the potential overseas projects discussed in previous years. Domestic environment was also affected and complicated. Domestic economic recovery was uneven. Whilst we felt continuous price pressure from bulk commodities and raw materials at the upstream levels, industrial demand recovery was unstable. Production capacity in the fuel ethanol and edible alcohol industries had been saturated after several years of expansion. Hence enterprises in the industries were not willing to invest too much in fixed assets.

In the face of complex and adverse economic environment, the Board led our management team to focus on meeting the annual business objectives while adhering to the management concept of prudence and ensuring safety in production. We took the initiatives to adapt to economic situation and turned disadvantages into opportunities. We have stabilized the Company’s business performance and continued to strengthen our technological research and development (“**R&D**”). We are well positioned and equipped to strive for positive progress in business development with utilization of new energy technologies for the future.

During the reporting period, the Company achieved a total operating revenue of RMB266.1 million (RMB171.8 million in 1H2020), representing an increase of 54.9% from the same period of last year. Operating profit increased by 86.4% to RMB39.7 million (RMB21.3 million in 1H2020) and net profit increased by 113.8% to RMB34.0 million (RMB15.9 million in 1H2020), when compared with the same period of last year. The increase in profit was mainly due to the decreases in selling, marketing and administrative expenses, and the zero provision for the impairment losses on financial and contract assets during the review period.

The main business activities of the Company are as follows:

(1) Active market development

During the reporting period, the Company continuously strengthened the efforts in market promotion and customer development through industry research and market dynamic analysis. We effectively promoted business through customer cloud communication, and active participation in industrial conferences. We also expanded our market influence and developed new customers via long-term cooperative relationships with major customers. During the reporting period, 11 new contracts were signed, with a total contract sum (excluding VAT) of RMB156.7 million (RMB115 million in 1H2020).

(2) Strengthening R&D capability

During the reporting period, the Company continued to increase R&D investment and adhered to the innovation oriented business philosophy to maintain the Company's technical competitiveness which laid down a good technical foundation for the Company's market development. During the reporting period, the Company invested a total of RMB11.9 million in R&D, applied for 2 new patents, strengthened patent development and intellectual property capabilities and continued to consolidate the Company's core technical competitiveness in the industry.

At the beginning of 2021, 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), a wholly-owned subsidiary of the Company, formally entered the hydrogen energy industry by acquiring a 51% owned subsidiary, Guangzhou Hydrogen Power Technology Co., Ltd.* (廣州氫動科技有限公司). The cost of the acquisition was RMB0.54 million and the sellers of the 51% are independent third parties. In the first half of the year, the Company and its subsidiaries have conducted experiments in manufacturing and commissioning the first set of experimental hydrogen production device and have thus obtained important technical data and equipment manufacturing experience. This has laid a foundation for our diversification into another new energy industry.

* For identification purposes only

(3) Progress in contracted projects

In the first half of 2021, with the rollout and inoculation of COVID-19 vaccine in China, major achievements have been made in domestic epidemic control and steady recovery of economic operations. The Company's domestic business activities have been steadily resumed.

The Group continued to make progress in construction projects for our regular customers. These included a fuel ethanol construction project in Heilongjiang province with an annual output of 300 thousand tons; a fuel ethanol plant renovation project in Anhui province with an output of 300 thousand tons per year; an energy conservation and technical innovation EPC project located in Guangxi province; and two EPC projects which integrated edible alcohol and fuel ethanol productions located in Heilongjiang province. There were also a number of facility up-grade projects for fuel ethanol, edible alcohol and medicinal alcohol producers. The Group has invested most of its manpower and material resources in these domestic projects during the reporting period. All together, they contributed RMB238.8 million or 89.7% to the Group's total revenue for the reporting period.

Whilst the COVID-19 pandemic is still spreading around the world and the world economy is in a complex and uncertain situation, our overseas business activities have been inactive and some potential overseas projects could not proceed as expected.

FUTURE PROSPECTS

(1) Business development strategy

In the next few years, the application and development of new energy production technology will enter a new stage. The Company will seize the historical opportunity and actively develop new technology and new business relying on its leading position in the industry. The Company maintains technical advantages in the fuel ethanol market and will expand the current revenue structure by increasing more technical service income from the generation 1.5 and 2 cellulose ethanol and other chemicals. In the future, the Company will further strengthen the construction of marketing team, continuously improve the depth and breadth of our sales network, maintaining good relationship with the existing customers, and actively expand new customer portfolio and explore investment opportunities in related industries, so as to create a strong marketing team and marketing channel with market influence.

(2) Strengthen technology R&D

Independent innovation is the vitality of the Company's sustainable development. Since its establishment, the Company has committed substantial resources to the R&D of new technologies and processes. As of the end of the reporting period, the Company and its subsidiaries have successfully registered a total of 34 patents, including 22 invention patents. Relying on its leading position in the clean energy technology industry, the Company will continue to increase investment in technology R&D, and effectively communicate with customers, universities and research institutes, so as to create an organic combination of production, learning and research. The Company's R&D study will focus on fuel ethanol technology, super grade alcohol, hydrogen production and equipment manufacturing technology.

FINANCIAL REVIEW

Revenue

Revenue for the reporting period increased by approximately RMB94.3 million, or 54.9%, from approximately RMB171.8 million for 1H2020 to approximately RMB266.1 million for 1H2021, which was mainly due to fulfilling contracts rolled over from 2019 and 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB1.7 million, or 3.4%, from approximately RMB50.3 million for 1H2020 to approximately RMB48.6 million for 1H2021.

The overall gross profit margin decreased from approximately 29.3% in 1H2020 to approximately 18.3% in 1H2021. The decrease in gross profit margin was mainly due to a number of sizable contracts which were priced at discounts for regular customers.

Selling and Marketing Expenses

The Group's selling and marketing expenses decreased by approximately RMB1.9 million, or 31.0%, from approximately RMB6.0 million for 1H2020 to approximately RMB4.1 million for 1H2021, mainly because the marketing activities through traditional visits and communications previously were shifted to on-line mode during the COVID-19 outbreak period. The Company is expecting to expand more promotion activities in the second half year.

Administrative Expenses

Our administrative expenses primarily consisted of employee cost and benefit expenses, listing expenses, depreciation and amortization. The 25% decrease in administrative expenses to approximately RMB12.8 million (1H2020: approximately RMB17.2 million) was primarily due to the high listing expenses incurred in the same period last year.

Other Income

The Group's other income has increased by approximately RMB6.9 million, or 686.3%, from approximately RMB1 million for 1H2020 to approximately RMB7.9 million for 1H2021. It was mainly due to the cancellation of two consultancy contracts for which the related fees were classified as prepayments in 1H2020. As these were refunded amount, they were reclassified as other income in 1H2021.

Finance Costs – net

The Group's finance costs – net increased by approximately 8.2% from 1H2020 to 1H2021. The finance costs mainly represented interests on bank borrowings. There was no significant increase on loan costs.

Income Tax Expense

The Group's income tax expense increased by approximately RMB0.2 million, or 4.3%, from approximately RMB4.6 million for 1H2020 to approximately RMB4.8 million for 1H2021. 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 was qualified as High and New Technology Enterprise in 2019, was entitled to a preferential income tax rate of 15%. The effective tax rate is lower than the China corporate preferential income tax rate of 15% mainly due to the R&D expenses, a deductible proportion can be 175% of the actual the R&D expenses.

* For identification purposes only

Profit Attributable to the Owners of the Company

As a result of the foregoing, the Group reported profit attributable to the owners of the Company of approximately RMB34.1 million for 1H2021, representing an increase of approximately RMB18.2 million or 114.5% as compared to approximately RMB15.9 million for 1H2020. The reasons for the increase were attributable to lower selling and marketing expenses, administrative expenses and impairment losses, but more other income.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2021, the Group's cash and cash equivalents were approximately RMB12.8 million (as at 31 December 2020: approximately RMB37.3 million). The Group's principal use of cash is mainly for payments to suppliers, subcontractors and working capital needs.

As at 30 June 2021, the Group had bank borrowings of RMB56.8 million in total (as at 31 December 2020: RMB20.7 million). The bank and other borrowings were mainly used to finance the working capital of the Group. The Directors confirmed that the Group had neither experienced difficulty in obtaining or repaying its bank borrowings, nor breached any major covenant or restriction of the Group's facilities up to the date of this announcement. The increase of bank borrowing of RMB36.1 million was due to the Company's increased construction cost to build for project JG2009 in the northeast China.

The total equity of the Group as at 30 June 2021 was approximately RMB277.4 million (as at 31 December 2020: approximately RMB242.6 million). The Group generally finances its operations with internally generated cash flows, interest-bearing bank and other borrowings.

As at 30 June 2021, the Group's net current assets increased by approximately RMB27 million, or 13.1%, from approximately RMB205.4 million as at 31 December 2020 to approximately RMB232.4 million. The current ratio of the Group was approximately 1.8 times (as at 31 December 2020: approximately 1.8 times). The Group expresses its gearing ratio as a percentage of total debts divided by total equity. The Group's gearing ratio was approximately 0.53 (as at 31 December 2020: approximately 0.51).

Capital Expenditure

The Group's capital expenditure principally consisted of expenditures on intangible assets and acquisitions of property, plant and equipment related to operations, which were funded by the Group's internal resources and finance lease arrangement.

During the reporting period, the Group made capital expenditures of RMB3.8 million on property, plant and equipment.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Company paid RMB0.54 million to acquire 51% ownership in Guangzhou Hydrogen Power Technology Co., Ltd.* (廣州氫動科技有限公司) as a joint venture which is developing hydrogen energy production technology. The Directors believe that hydrogen energy will be significant business opportunity for the Group in the future, and the Company will put in more resources to develop hydrogen production technology and manufacturing equipment.

During the reporting period, a joint venture (Jilin Tianshun Bio-chemical Technology Co Ltd* 吉林省天順生化科技有限公司) was disposed as per the shareholders' resolution. A notice of cancellation of registration was given on 30 December 2020 from the registrar. There was no income from the dissolution of the joint venture company.

Significant Investment Held

The Group did not hold any significant investment (except for its subsidiaries) during the reporting period.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this announcement, the Group did not have other plans for material investments and capital assets during 1H2021.

Segment Information

Segment information for the Group is presented as disclosed on note 4 to the condensed consolidated interim financial information.

* *For identification purposes only*

Contingent Liability

The Group had no contingent liabilities as at 30 June 2021 (as at 31 December 2020: Nil).

Pledge of Assets

As at 30 June 2021, the right-of-use assets and buildings of the Company's subsidiaries have been pledged to the Bank of China as security for banking facilities granted to the Group.

Capital Commitments

As at 30 June 2021, the Group did not have any capital commitments (as at 31 December 2020: Nil).

Foreign Exchange Exposure

The functional currency of the Group's operation, asset and liabilities are denominated in RMB. Therefore, the Group is not exposed to significant foreign exchange risk and has not employed any financial instrument for hedging.

Treasury Policies

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 a floating-rate basis. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees and Remuneration Policies

As at 30 June 2021, the Group's workforce comprised 103 employees which was the same as at 31 December 2020.

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.

Share Options Scheme

The Group had no share options scheme during the reporting period.

USE OF PROCEEDS

The Company's ordinary shares were listed on the Main Board of Stock Exchange on the Listing Date. 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. As at 30 June 2021, the net proceeds have been fully utilised in the manners as disclosed in the Prospectus.

The below table sets out the proposed and actual applications of the net proceeds from the Listing Date up to 30 June 2021:

| | Planned use of proceeds as set out in the Prospectus <i>HK\$ Million</i> | Actual use of proceeds from the Listing Date to 30 June 2021 <i>HK\$ Million</i> | Unutilised balance as at 30 June 2021 <i>HK\$ Million</i> |
|--|---|---|--|
| Strengthening financial position to pay for project costs (80%) | 16.0 | 16.0 | 0 |
| Funding the research and development projects (10%) | 2.0 | 2.0 | 0 |
| General working capital (10%) | 2.0 | 2.0 | 0 |

CORPORATE GOVERNANCE CODE

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 (the “**Shareholders**”) and to sustain the success of the Group to create long-term value for the Shareholders.

In the opinion of the Directors, the Company has complied with all code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) throughout the six months ended 30 June 2021, save for the deviation disclosed below.

Code provision A.1.3 of the CG Code stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the six months ended 30 June 2021, certain regular Board meetings of the Company were convened with less than 14 days’ notice to facilitate the Directors’ timely decision making process in respect of internal affairs of the Group. The Board will endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as 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 throughout the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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 listed securities of the Company during the six months ended 30 June 2021.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim report for the six months ended 30 June 2021 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to the Shareholders 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 Shareholders and the Company's 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, 16 May 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.