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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)

(1) KEY FINDINGS OF INDEPENDENT INTERNAL CONTROL REVIEW AND (2) CONTINUED SUSPENSION OF TRADING

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 13.49(3)(i) 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, 7 May 2021, 30 June 2021, 8 September 2021, 30 September 2021, 31 December 2021, 28 January 2022, 10 February 2022, 31 March 2022, 22 April 2022 and 16 May 2022 in relation to, inter alia, (i) the delay in publication of the 2020 Final Results; (ii) the Initial Resumption Guidance; (iii) the Additional Resumption Guidance; (iv) the delay in publication of the 2021 Interim Results; and (v) key findings of the Independent Investigation; (vi) 2020 Annual Results and (vii) 2021 Interim Results. Unless otherwise defined, capitalized terms in this announcement shall have the same meanings as those defined in the Prior Announcements.

INTERNAL CONTROL REVIEW

As disclosed in the announcement of the Company dated 10 February 2022, the Company received additional resumption guidance from the Stock Exchange that, the Company is required to conduct an independent internal control review and demonstrate that the

Company has in place adequate internal controls and procedures to comply with the Listing Rules. As disclosed in the announcement of Quarterly Update on Status of Resumption on 31 March 2022, the Company has appointed BT Corporate Governance Limited ("**BTCGL**"), inter alia, to conduct the Independent Internal Control Review, prepare an internal control review report ("**Internal Control Review Report**") and assist the management to improve the Group's internal control system. The independent internal control review covers the main procedures, systems and monitoring measures established by the Group from 1 January 2021 to 31 December 2021. The main purpose of the independent internal control review is to assist the Board of Directors of the Company and the management of the Group to review and improve the internal control system designed and implemented by the management of the Group in accordance with the Corporate Governance Code and the relevant listing rules of the Stock Exchange (especially Chapter 14, Chapter 14A, Appendix 14, etc. of the Main Board Listing Rules), and to evaluate the procedures formulated by the Group as to whether the procedures, systems and monitoring measures are sufficient to enable the directors of the Company to make an appropriate assessment of the financial position and prospects of the Group. The Internal Control Review Report assesses the adequacy and effectiveness of the Group's overall internal control system, identifies internal control weaknesses, including matters related to internal control identified in the Investigation, and provides recommendations to the Group. BTCGL issued the Internal Control Review Report on 1 June 2022. The Company would like to update its shareholders and set out the key findings of the Internal Control Review Report in this announcement.

Scope of Work of Internal Control Review

With regard to the main procedures, systems and monitoring measures established by the Group, BTCGL conducted a review of the relevant internal control system for the Group's business units which are located in Guangzhou of Guangdong Province of China according to the internal control review plan in its engagement letter. The first stage of internal control review was conducted by BTCGL from 21 February 2022 to 8 March 2022, and the internal control review test covered the period from 1 January 2021 to 31 December 2021.

The fieldwork of second-phase internal control follow-up review was carried out from 21 March 2022 to 25 April 2022, and the follow-up testing period of internal control review ran from 4 March 2022 to 31 March 2022.

This internal control review records, tests and evaluates the effectiveness of the procedures, systems and monitoring measures formulated by the Group, and covers the Company and the following companies of the Group:

- Guangdong Zhongke Tianyuan New Energy Technology And Science Co., Ltd. ("**Zhongke Tianyuan**"); and
- Guangdong Boluo Zhongke Tianyuan High Tech Engineering Co., Ltd. ("**Boluo Tianyuan**").

It covers the following operating cycles of the above companies:

- corporate governance practice ;
- revenue and receipts cycle;

- purchase and payments cycle;
- inventory management cycle;
- production management cycle;
- capital expenditure cycle;
- operating expenses and payments cycle;
- human resources and payroll management cycle;
- treasury management (including cash management) and investment management cycle;
- financial reporting cycle;
- investment project management cycle; and
- information technology general controls cycle.

Management's Awareness of Internal Control

Good corporate governance is an important element to protect the rights and interests of shareholders, ensure the proper use of corporate resources, and contributes to the on-going improvement of the operating performance of the Group as a whole. The Group has set up an internal control mechanism which includes an internal control environment with proper segregation of duties among the senior management executives so that the management can easily identify, evaluate and manage the risks faced by the Group.

Key Issues of Internal Control Review

The results of our enquiries, observation, discussion with responsible personnel as well as examination of documents and records of the Company and its subsidiaries did not indicate that there was any irregularity or material error. The management has established effective and comprehensive internal control procedures to regularly review the accounting and financial reporting functions of the Group so as to ensure that its accounting and financial reporting functions are sufficient in terms of resources, qualifications, experience, training arrangements and training budget and that the relevant management and financial principals have sufficient experience and qualifications to deal with the daily operating matters of the Group.

BTCGL reckons that the management of the Group has established effective and comprehensive internal control procedures. However, BTCGL is of the opinion that there is still room for improvement in the internal control systems of the Company and its subsidiaries as is mentioned in the section headed "Key Findings of Internal Control Review" below.

Key Findings of Internal Control Review

NO.	Purpose of Independent Internal Control Review	Key internal control weaknesses	Rectification recommendations	Company's response and remediation status
1	Operating Cycle: Corporate Governance Practice			
1.1	To ensure the compliance of service procurements and appropriate approval for relevant services of relevant operating unit	Operating unit: the Group During the course of the Independent Internal Control Review, BTCGL noted that there was an absence of a written policy for procuring general services (such as audit services, business legal consulting services, etc.) and non-regular services (such as consultancy, advertising and promotion, etc.), which should include but not limited to: the approval of purchase requisition for general and non-regular services, service providers' selection process, quotation and competitive bidding process of service procurements, authorization limit of the management on approval of non-regular service transactions, and service performance monitoring process, etc.	BTCGL suggests that the operating unit should establish a written service procurement management policy as soon as possible. The policy should include but not limited to: the approval of purchase requisition, quotation and competitive bidding process of service procurement, service providers' selection procedures, standards of due diligence (such as vendors' qualification, business scope, company scale, performance capability, compliance, etc.), and authorization limit of the management on approval of non-regular service transactions, and monitoring of service performance, etc. To strengthen the monitoring of daily operations by the operating unit, the written service procurement management policy should be properly approved by the management and be circulated to all relevant employees.	The operating unit has established a written service procurement management policy and a service provider evaluation form to formulate the procurement procedures, the quotation and competitive bidding process of service procurement, the process of selecting service providers and approval process. The written policy has been effective from 25 April 2022 with approval by the Board of Directors, and has been circulated to the management and relevant employees on 26 April 2022.
2	Operating cycle: Revenue and Receipt Cycle			

2.1	<p>To ensure all sales contracts are properly approved by the authorized personnel.</p>	<p>Operating units: Zhongke Tianyuan Boluo Tianyuan</p> <p>BTCGL noted that prior to signing of sales contracts, the Marketing Manager, Financial Controller, Engineering Director, Procurement Manager, Design Manager, Quality Management Manager, Property Management Manager, Deputy General Manager and General Manager should sign a "Counter Signature Form of Contract Project" to confirm that they have reviewed and agreed to contents of the sale contracts. The authorized personnel will then sign the contracts with the company seal affixed.</p> <p>However, BTCGL noted in the selected cases that:</p> <ol style="list-style-type: none"> 1) sales contracts amounted exceeding RMB500,000 had not approved by the Chairman in writing; 2) certain sales contracts were lack of written approval by 	<p>BTCGL recommends that the operating units should be strictly adhered to the approval process for the signing of sales contracts. Prior to signing of sales contracts, the relevant contracts together with the "Counter Signature Form of Contract Project" must be submitted to the designated responsible person for approval in writing, or via e-mail. The operating units should properly retain the approval records for future reference.</p> <p>The operating units should require both contractual parties to sign and affix company seals on the sales contracts according to the contractual terms as mutual agreement.</p> <p>Moreover, along with its business development and expansion, comprehensive company policies and procedures as well as written approval matrix for the above-mentioned operating cycles should be finalized and communicated to all levels of employees to ensure that the company policies and procedures are strictly adhered to by all employees of the Group.</p>	<p>In April 2022, the operating units have implemented BTCGL's recommendations to update the policy in respect of the sales contract approval and signing procedures. We have now strictly adhered to the relevant policy.</p>
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		<p>designated personnel;</p> <p>3) certain sales contracts have not been approved on a timely basis; and</p> <p>4) certain sales contracts were not properly signed.</p>		
2.2	To ensure all projects are implemented in accordance with terms on the contracts	<p>Operating unit: Zhongke Tianyuan</p> <p>BTCGL noted that according to the terms of sales contracts signed between the operating unit and customers, the customers are generally required to make an advance payment before project commencement.</p> <p>However, BTCGL's testing results indicated that in certain cases, some customers did not make the advance payments as required and the operating unit had commenced the project work before receiving such advance payments.</p>	BTCGL suggests that the operating unit shall ensure that customers make the advance payment required according to contracts before the project commencement. If a customer fails to pay the advance payment for various reasons, the designated responsible personnel must first obtain approval from the management of the operating before starting the relevant project.	The operating unit has implemented BTCGL's recommendation. Upon receipt of advance payments according to contracts, the operating unit's accounts receivable accountant will send a written notice of such receipt to Marketing Department, Engineering Department, General Manager and other relevant personnel to decide whether to commence the project or not.
3	Operation cycle: Purchase and payment cycle			

3.1	To ensure all large-scale bidding procurements are properly approved by the authorized personnel	<p>Operating unit: Zhongke Tianyuan</p> <p>During the course of the Independent Internal Control Review, BTCGL noted that certain procurement samples were not implemented in accordance with the procurement policy of the operating unit, including 1) some "Bidding Invitation Application Forms" were not signed and approved by the Procurement Director, 2) some supplier quotations were not properly kept, and 3) some "Evaluation Reports" were not signed and approved by the Chairman.</p>	<p>BTCGL suggests that the operating unit should strictly adhere to the bidding process for the large-scale procurements. When there is need of large-scale procurement, the Procurement Officer should prepare the "Bidding Invitation Application Form" and submit it to the designated responsible personnel for approval. The quotations from all suppliers participating in the bidding should be properly kept by the designated department for reference of the management. In addition, the "Evaluation Reports" of large-scale procurement amounted to RMB800,000 or above must be submitted to the Chairman for further approval in writing before making the purchase.</p>	<p>The operating unit has implemented BTCGL's recommendations. For large-scale procurement, the Procurement Staff has prepared the "Bidding Invitation Application Form" and submitted to the designated responsible personnel for approval in writing. The quotations from all suppliers participating in the bidding are properly kept by the Procurement Department.</p>
4	Operation cycle: Investment project management cycle			

4.1	To ensure that the due diligence reviews are conducted properly for all investment projects in accordance with the investment management policy	<p>Operating unit: Zhongke Tianyuan</p> <p>BTCGL noted the Investment Department has conducted the due diligence review on an investment in Guangzhou Hydrogen Power Technology Co., Ltd. in 2021. The Investment Department has obtained the targeted company's corporate information, evaluated the financial data and conducted the online background search. However, the Investment Department did not prepare a comprehensive written analysis report to summarize the due diligence information for submitting to the management for review. The relevant investment amounted to approximately RMB543,000. BTCGL noted that the investment plan has been resolved in the Board of Directors meeting on 2 December 2020 and the agreement has been signed on the same day.</p>	BTCGL suggests that the operating unit should prepare the project proposal for management's review and written approval in accordance with the investment management policy. Then the Investment Department should prepare a comprehensive analysis report to summarize the due diligence information for the approval of authorized personnel.	The management of the Company agrees to implement BTCGL's recommendation.
5	Operation cycle: Information technology general controls cycle			

5.1	To safeguard the network security and reduce the risk of unauthorized access to the intranet	<p>Operating units: Zhongke Tianyuan Boluo Tianyuan</p> <p>BTCGL found that the relevant operating units have not implemented the control to set up a firewall to safeguard the network activities between internal and external networks. As such, the operating units were unable to prevent any unauthorized connections between the different network segments within operating units' networks.</p>	<p>In order to effectively prevent the unauthorized intruders, strengthen the confidentiality of intranet data of relevant operating units and reduce the risk of unauthorized access to the intranet, BTCGL suggested that:</p> <p>A firewall or router should be set up to implement the access control mechanism. The firewall or router must have sufficient logs for future review and reference of the management; and</p> <p>The network zones should be set up according to different trust levels.</p>	The relevant operating units have implemented BTCGL's recommendation by setting up a firewall and the network segments.
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View of the Board

The Board of Directors (including the Audit Committee) has reviewed the Internal Control Review Report prepared by BTCGL and is of the opinion that (i) the independent internal control review has fully evaluated the effectiveness of the Group's internal control system and has identified certain deficiencies in it; (ii) the identified deficiencies in the independent internal control review have been followed up and improved; and (iii) the follow-up actions and improvement measures implemented by the Group are sufficient in addressing the identified deficiencies.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited 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 potential investors of the Company informed of the status and development of the Company as and when appropriate and will 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, 2 June 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.