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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)

MAJOR TRANSACTION SUBSCRIPTION OF EQUITY INTEREST IN ZHONGKE GREEN AND RESUMPTION OF TRADING

SUBSCRIPTION AGREEMENT

On 31 August 2023, Zhongke Tianyuan, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with (i) Mr. Lin and (ii) Zhongke Green pursuant to which, among others, each of Mr. Lin and Zhongke Tianyuan shall subscribe 25.38% and 40.77% of the entire equity interest of Zhongke Green immediately prior to the Subscriptions by injecting RMB43,000,000 (equivalent to approximately HK\$46,974,000) and RMB53,000,000 (equivalent to approximately HK\$57,898,000) respectively. In addition, Mr. Lin shall purchase the entire equity interest held by an existing equity interest holder, Ms. Xia Xiaohong in Zhongke Green, amounting to 1% of the entire equity interest in Zhongke Green. Immediately following the Subscriptions and the said acquisition, Zhongke Tianyuan and Mr. Lin shall hold approximately 24.54% and 75.46% of the entire equity interest of Zhongke Green.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Transaction. As such, no Shareholder would be required to abstain from voting for the resolution to approve the Transaction should the Transaction be put forward to the Shareholders to approve at a general meeting of the Company; therefore, a written shareholders' approval shall be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

As at the date of this announcement, Tewin Capital Holding Limited, Tonzest Capital Holding Limited, Best Full Investments Limited, Kapok Capital Management Limited, Jojo Global Investment Limited and a number of other Shareholders holds an aggregate of 325,416,778 Shares, representing an aggregate of 54.52% of the total issued share capital of the Company. Given they are a group of allied shareholders of the Company, the Board will obtain an irrevocable and unconditional written approval for the Transaction from the above Shareholders. Upon such written shareholders' approvals being obtained, pursuant to Rule 14.44 of the Listing Rules, the shareholders' approval requirement in respect of the Transaction under Chapter 14 of the Listing Rules will be taken to have been satisfied in lieu of a general meeting of the Company.

Due to an inadvertent mistake, the Company failed to make timely disclosure of the entering into of the Subscription Agreement and seek for Shareholders' approval. Such failure was unintentional and was due to a misunderstanding by the management of the Company that the entering into of the Subscription Agreement would not constitute a notifiable transaction under the Listing Rules and therefore were unaware that the requirements under Chapter 14 of the Listing Rules are applicable.

The Company would like to express deep regrets for its inadvertent and unintentional oversight of the requirements of the Listing Rules. The Company had no intention to withhold any information relating to the Subscription Agreement.

GENERAL

A circular of the Company containing, among others, details of the Transaction and information regarding the Company will be despatched to the Shareholders. It is expected that such circular will be despatched to the Shareholders on or before 18 December 2023, being 15 business days after the date of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was halted with effect from 9:00 a.m. on 23 November 2023. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9.00 a.m. on 27 November 2023.

SUBSCRIPTION AGREEMENT

Equity Interest Subscribed

On 31 August 2023, Zhongke Tianyuan, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with (i) Mr. Lin and (ii) Zhongke Green pursuant to which, among others, each of Mr. Lin and Zhongke Tianyuan shall subscribe 25.38% and 40.77% of the entire equity interest of Zhongke Green immediately prior to the Subscriptions by injecting RMB43,000,000 (equivalent to approximately HK\$46,974,000) and RMB53,000,000 (equivalent to approximately HK\$57,898,000) respectively. In addition, Mr. Lin shall purchase the entire equity interest held by an existing equity interest holder, Ms. Xia Xiaohong in Zhongke Green, amounting to 1% of the entire equity interest in Zhongke Green. Immediately following the Subscriptions and the said acquisition, Zhongke Tianyuan and Mr. Lin shall hold approximately 24.54% and 75.46% of the entire equity interest of Zhongke Green.

Prior to the Subscriptions and the acquisition of 1% of the entire equity interest in Zhongke Green by Mr. Lin, Mr. Lin and Ms. Xia Xiaohong held approximately 99% and 1% of the entire equity interest in Zhongke Green.

Subscription Price

The subscription price for Mr. Lin and Zhongke Tianyuan for 25.38% and 40.77% of the entire equity interest of Zhongke Green immediately prior to the Subscriptions shall be RMB43,000,000 (equivalent to approximately HK\$46,974,000) and RMB53,000,000 (equivalent to approximately HK\$57,898,000) respectively. The subscription price pursuant to the Subscription Agreement was determined after arm's length negotiation between Zhongke Green and Zhongke Tianyuan.

Pursuant to the Subscription Agreement, Zhongke Tianyuan shall settle the subscription price of RMB53,000,000 (equivalent to approximately HK\$57,898,000) to Zhongke Green by offsetting the account receivable due from Zhongke Green as a result of a construction project previously engaged by Zhongke Green, and the settlement of the subscription price has been completed upon completion of the Transaction.

Completion of the Subscription

Zhongke Tianyuan and Mr. Lin have completed the Subscriptions immediately following the entering into of the Subscription Agreement.

INFORMATION ON THE COMPANY AND ZHONGKE TIANYUAN

The Company is a leading ethanol production system producer in the PRC, which 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.

Zhongke Tianyuan is a company established under the laws of the PRC and a wholly-owned subsidiary of the Company. The principal business of Zhongke Tianyuan is the provision of ethanol production system technology integrated services in the PRC.

INFORMATION ON MR. LIN AND ZHONGKE GREEN

Mr. Lin is the holder of 99% equity interest in Zhongke Green prior to the completion of the Subscriptions. Following the Subscriptions and the acquisition of equity interest held by Ms. Xia Xiaohong, Mr. Lin holds 75.46% of the entire equity interest in Zhongke Green. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Mr. Lin is a third party independent of the Company and its connected persons.

The main business of Zhongke Green is engaged in the production and sales of edible alcohol and high protein feed, located in the corn raw material production area of the Northeast plain of the PRC, with a superior geographical location. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Zhongke Green is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Set out below is the unaudited consolidated financial information of Zhongke Green prepared according to generally accepted accounting principles of the PRC for the year ended 31 December 2021 and 31 December 2022:

	<i>Year ended 31 December 2022 RMB</i>	<i>Year ended 31 December 2021 RMB</i>
(Loss)/Profit before taxation	(74,964,000) (equivalent to approximately HK\$(81,711,000))	765,000 (equivalent to approximately HK\$834,000)
(Loss)/Profit after taxation	(79,964,000) (equivalent to approximately HK\$(81,711,000))	765,000 (equivalent to approximately HK\$834,000)
Net assets	<i>As of 31 December 2022</i> 141,216,000 (equivalent to approximately HK\$153,925,000)	<i>As of 31 December 2021</i> 235,433,000 (equivalent to approximately HK\$256,622,000)

Following the Transaction, Zhongke Green shall become an associate of the Company. The Company believes that the Transaction is in line with the long-term development goals and business development strategy of the Group. The investment of Zhongke Green can bring potential profit growth for the Group, which is in line with the overall interests of the Company and the Shareholders.

The Directors (including the independent non-executive Directors) considered that the Transaction was made on normal commercial terms, and the terms of the Subscription Agreement were fair and reasonable and in the interests of the Shareholders as a whole.

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To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the Transaction. As such, no Shareholder would be required to abstain from voting for the resolution to approve the Transaction should the Transaction be put forward to the Shareholders to approve at a general meeting of the Company; therefore, a written shareholders' approval shall be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

As at the date of this announcement, Tewin Capital Holding Limited, Tonzest Capital Holding Limited, Best Full Investments Limited, Kapok Capital Management Limited, Jojo Global Investment Limited and a number of other Shareholders holds an aggregate of 325,416,778 Shares, representing an aggregate of 54.52% of the total issued share capital of the Company. Given they are a group of allied shareholders of the Company, the Board will obtain an irrevocable and unconditional written approval for the Transaction from the above Shareholders. Upon such written shareholders' approvals being obtained, pursuant to Rule 14.44 of the Listing Rules, the shareholders' approval requirement in respect of the Transaction under Chapter 14 of the Listing Rules will be taken to have been satisfied in lieu of a general meeting of the Company.

Due to an inadvertent mistake, the Company failed to make timely disclosure of the entering into of the Subscription Agreement and seek for Shareholders' approval. Such failure was unintentional and was due to a misunderstanding by the management of the Company that the entering into of the Subscription Agreement would not constitute a notifiable transaction under the Listing Rules and therefore were unaware that the requirements under Chapter 14 of the Listing Rules are applicable.

The Company would like to express deep regrets for its inadvertent and unintentional oversight of the requirements of the Listing Rules. The Company had no intention to withhold any information relating to the Subscription Agreement.

REMEDIAL MEASURES

To adhere to prudent corporate governance practice, the Directors have confirmed, approved and ratified the Transaction and the publication of this announcement. To avoid any similar delay in the future, the Company has implemented the following measures:

- (i) the Company will arrange regular training on regulatory compliance matters relating to notifiable transactions to the Directors, senior management and relevant staff so as to ensure that they fully understand the requirements of the Listing Rules;
- (ii) the Company will review and enhance the regulatory compliance procedures and its internal controls so as to ensure that all existing and further transactions of the Company fully comply with the Listing Rules;
- (iii) the Company will maintain closer cooperation with its professional advisers in relation to regulatory compliance; and
- (iv) the Company shall, as and when appropriate and necessary, consult external legal advisers and/or other professional advisers before entering into possible notifiable transactions.

Going forward, the Company will make appropriate disclosures and obtain Shareholders' approvals in a timely manner so as to comply with the requirements of the Listing Rules as appropriate.

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RESUMPTION OF TRADING

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DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	China New Energy Limited (carrying on business in Hong Kong as Zhongke Tianyuan New Energy Limited), a public company with limited liability incorporated in Jersey on 2 May 2006 under the Jersey Companies Law, whose Shares are listed on the Main Board of the Stock Exchange (Stock code: 1156)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Mr. Lin”	Mr. Lin Yongmin, the holder of 99% equity interest in Zhongke Green prior to the completion of the Subscriptions

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of £0.00025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	subscription of equity interest by Zhongke Tianyuan and Mr. Lin for 40.77% and 25.38% of the entire equity interest of Zhongke Green immediately prior to the said subscriptions pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between Zhongke Tianyuan, Mr. Lin and Zhongke Green dated 31 August 2023 (together with its supplemental agreement dated 18 October 2023) pursuant to which Zhongke Tianyuan and Mr. Lin shall subscribe for 40.77% and 25.38% of the entire equity interest of Zhongke Green immediately prior to the said subscriptions
“Transaction”	subscription of equity interest by Zhongke Tianyuan for 40.77% of the entire equity interest of Zhongke Green immediately prior to the said subscriptions pursuant to the Subscription Agreement
“Zhongke Green”	Heilongjiang Zhongke Green Biotechnology Co., Ltd.* (黑龍江中科格林生物科技有限公司), a company established under the laws of the PRC with its entire equity interest held by Mr. Lin and Ms. Xia Xiaohong as to approximately 99% and 1%

“Zhongke Tianyuan” 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 company established under the laws of the PRC and a wholly-owned subsidiary of the Company

“%” per cent

“£” pound sterling, the legal currency of the United Kingdom

This announcement contains translations of certain RMB amounts into Hong Kong dollars at a specific rate. Unless otherwise indicated, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB1.0 to approximately HK\$1.09.

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

Hong Kong, 26 November 2023

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 Ms. Wong Mei Ling.

* *For identification purpose only*