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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of China New Energy Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 ("**Reporting Year**"), together with the comparative figures for the corresponding period in 2020 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*4*	**386,831**	521,561
Cost of sales		**(341,509)**	(388,845)
Gross profit		**45,322**	132,716
Selling and marketing expenses		**(6,021)**	(8,799)
Administrative expenses		**(22,252)**	(52,493)
Impairment losses under expected credit loss model, net of reversal	*8*	**(24,411)**	(16,211)
Other income	*5*	**14,281**	2,350
Other gains – net	*6*	**4,041**	751
Operating profit		**10,960**	58,314
Finance income	*7*	**11**	45
Finance costs	*7*	**(2,007)**	(1,415)
Finance costs-net		**(1,996)**	(1,370)
Profit before income tax	*8*	**8,964**	56,944
Income tax expenses	*9*	**(1,169)**	(12,580)
Profit for the year		**7,795**	44,364
Profit/(loss) attributable to:			
– Owners of the Company		**8,421**	44,364
– Non-controlling interests		**(626)**	–
		7,795	44,364
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	*11*	**0.014**	0.088
Diluted earnings per share	*11*	**0.014**	0.080

	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**7,795**	44,364
Other comprehensive (loss)/income		
Items that may not be reclassified to profit or loss		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(324)**	(145)
Items that may be reclassified to profit or loss		
– Exchange differences on translation of foreign operations	**(847)**	145
Other comprehensive loss for the year, net of tax	**(1,171)**	–
Total comprehensive income for the year	**6,624**	44,364
Total comprehensive income/(loss) attributable to:		
– Owners of the Company	**7,250**	44,364
– Non-controlling interests	**(626)**	–
	6,624	44,364

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	**2021** *RMB'000*	2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**17,467**	14,710
Intangible assets		**27,461**	19,847
Right-of-use assets		**4,019**	5,150
Financial assets at fair value through other comprehensive income		**4,463**	4,845
Deferred tax assets		**9,836**	6,479
		63,246	51,031
Current assets			
Inventories		**7,134**	5,970
Trade and bills receivables	*12*	**90,393**	74,598
Other receivables and prepayments	*13*	**104,216**	186,409
Contract assets		**264,864**	143,841
Bank balances and cash		**6,904**	37,322
		473,511	448,140
Current liabilities			
Trade payables	*14*	**106,911**	85,685
Other payables	*15*	**76,014**	78,236
Contract liabilities		**21,823**	20,226
Bank borrowings		**24,363**	11,172
Convertible notes		**–**	–
Lease liabilities		**1,186**	1,075
Tax payable		**48,539**	46,335
		278,836	242,729
Net current assets		**194,675**	205,411
Total assets less current liabilities		**257,921**	256,442

	2021	2020
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings	**7,500**	9,500
Lease liabilities	**746**	1,932
Deferred income	**–**	2,400
	8,246	13,832
Net assets	**249,675**	242,610
Capital and reserves		
Share capital	**1,762**	1,762
Reserves	**248,098**	240,848
Equity attributable to owners of the Company	**249,860**	242,610
Non-controlling interests	**(185)**	–
Total equity	**249,675**	242,610

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 on 15 July 2020, and on the same day, the shares of the Company in AIM were delisted.

The Company's shares listed on the Stock Exchange have been suspended from 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**").

The consolidated financial statements are presented in Renminbi Yuan ("**RMB**"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**").

2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDINGS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to Conceptual Framework for Financial Reporting and the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, 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.

Except as described below, the application of the Amendments to Conceptual Framework for Financial Reporting and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures ("**IFRS 7**").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

Impacts on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 Leases ("**IFRS 16**") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application has had no impact to the opening retained earnings at 1 January 2021.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022.

[2] Effective for annual periods beginning on or after 1 January 2023.

[3] Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

Based on the Group's outstanding liabilities as at 31 December 2021, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities as at 31 December 2021.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB4,019,000 and RMB1,932,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRSs Annual Improvements to IFRSs 2018-2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 Fair Value Measurement by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4 REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

Types of goods or services

	2021	2020
	RMB'000	*RMB'000*
Provision of construction services – ethanol production system technology integrated services		
Ethanol fuel industries	**277,905**	422,573
Alcoholic beverage industries	**105,009**	97,695
Others	**3,917**	1,293
Total	**386,831**	521,561

"Others" mainly refers to revenue generated from projects relating to medical and industry of ethyl acetate.

Timing of revenue recognition:

	2021	2020
	RMB'000	*RMB'000*
Over time	**386,094**	519,683
At a point in time	**737**	1,878
	386,831	521,561

(ii) Transaction price allocated to the remaining unsatisfied performance obligation for contracts with customers:

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for provision of ethanol production system technology integrated service such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

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 services 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 measures reported to the executive directors for the purpose of resources allocation and performance assessment.

Geographical information

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

	2021	2020
	RMB'000	*RMB'000*
PRC	**383,962**	511,873
Myanmar	**1,972**	7,723
Russia	**635**	–
Indonesia	**262**	1,704
Other countries	**–**	261
Total	**386,831**	521,561

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2021	2020
	RMB'000	*RMB'000*
Customer A[1]	**198,754**	256,933
Customer B[1, 2]	**N/A**	85,142
Customer C[3]	**70,111**	N/A
Customer D[3]	**63,547**	N/A
	332,412	342,075

1 Customer A and Customer B are related companies of each other.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2021.

3 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2020.

5 OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Subsidy income *(note (i))*	**3,517**	2,350
Refund of legal and professional fees *(note (ii))*	**10,764**	–
	14,281	2,350

(i) Subsidy income mainly represented government grants provided to the Group for its support and award to innovative and growth enterprises. The grants were unconditional and were recognised as income when received.

(ii) As disclosed and defined in note 8 to the consolidated financial statements of this announcement, some Concerned Transactions were recognised as legal and professional fees of the Group of approximately RMB18,603,000 during the year ended 31 December 2020. During the year ended 31 December 2021, part of the Concerned Transactions of approximately RMB10,764,000 were refunded and recognised as other income of the Group.

6 OTHER GAINS – NET

	2021	2020
	RMB'000	*RMB'000*
Contract assets written off	**–**	(2,752)
Recovery of bad debts	**2,687**	3,270
Exchange gains/(losses), net	**1,407**	(1,409)
Losses on disposal of property, plant and equipment	**(56)**	(179)
Fair value gains on convertible notes	**–**	1,462
Others	**3**	359
	4,041	751

7 FINANCE INCOME AND COST

	2021	2020
	RMB'000	*RMB'000*
Finance income		
Interest income from financial assets held for cash management purposes	**11**	45
Finance costs		
Bank borrowings interest expense	**(1,842)**	(1,184)
Lease liabilities interest expense	**(165)**	(231)
	(2,007)	(1,415)
Finance costs – net	**(1,996)**	(1,370)

8 PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging

	2021	2020
	RMB'000	*RMB'000*
Staff costs (including directors' remuneration)		
Salaries, wages, bonuses and other benefits	**16,549**	16,260
Contribution to pension scheme	**1,654**	1,739
Share-based payments	**–**	948
	18,203	18,947
Less: Capitalised in intangible assets	**(2,053)**	(2,529)
	16,150	16,418
Amounts included in		
– Cost of sales	**3,190**	2,934
– Selling and marketing expenses	**5,569**	4,220
– Administrative expenses	**7,391**	9,264
Costs of engineering services	**49,283**	63,295
Raw materials and consumables used	**281,628**	315,941
Depreciation of property, plant and equipment	**4,421**	3,454
Depreciation of right-of-use assets	**1,131**	1,131
Amortisation of intangible assets	**1,357**	1,072
Impairment losses, net of reversal recognised on:		
– Trade and bills receivables	**6,818**	4,773
– Contract assets	**15,868**	3,928
– Other receivables	**1,725**	7,510
	24,411	16,211
Amounts included in administrative expenses:		
Legal and professional fees *(note)*	**5,782**	20,488
Auditors' remuneration	**808**	2,656
Listing expenses	**–**	17,482
Research and development costs	**5,838**	4,466

Note:

Regarding legal and professional fees of approximately RMB18,603,000 recognised by the Group during the year ended 31 December 2020, the auditors which were originally engaged by the Company to act as auditors of the consolidated financial statements of the Group for the financial year ended 31 December 2020 (the "**Predecessor Auditor**") had raised concerns (the "**Audit Issues**") over these payments to various service providers (the "**Service Providers**") for the professional and consultancy services (the "**Concerned Transactions**"). The Audit Issues in relation to the Concerned Transactions included the commercial substance and business rationale for engaging the Service Providers to provide such services shortly after the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 15 July 2020 and for prepaying the entire contract sum in full, and whether there was any relationship between certain Service Providers with the Group and its management. The Independent Investigation Committee formed by the Company has engaged an independent professional advisor (the "**Advisor**") to conduct an independent investigation on the Concerned Transactions. The Advisor completed its investigation and issued an independent investigation report dated 17 January 2022. Details of key findings of the independent investigation are set out in the Company's announcement dated 28 January 2022.

9 INCOME TAX EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**4,468**	14,709
Deferred income tax credit	**(3,299)**	(2,129)
Total income tax expenses	**1,169**	12,580

Hong Kong profits tax

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong (2020: Nil).

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 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.

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 years ended 31 December 2021 and 2020 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 years ended 31 December 2021 and 2020. 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**"). Effective from 2021 onwards, the additional tax deduction rate of the qualified research and development expenses for manufacturing enterprises has been increased from 75% to 100%, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in March 2021.

PRC withholding income tax

According to the EIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008.

10 DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

11 EARNINGS PER SHARE

(a) Basic earnings per share

	2021	2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**8,421**	44,364
Weighted average number of ordinary shares in issue (thousand shares)	**589,759**	504,524
Basic earnings per share	**0.014**	0.088

(b) Diluted earnings per share

	2021	2020
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**8,421**	42,902
Weighted average number of ordinary shares in issue (thousand shares)	**589,759**	534,454
Diluted earnings per share	**0.014**	0.080

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

	2021	2020
	RMB'000	*RMB'000*
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	**8,421**	44,364
Less: fair value gain on convertible notes	**–**	(1,462)
Used in calculating diluted earnings per share	**8,421**	42,902

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

	2021	2020
	RMB'000	*RMB'000*
Weighted average number of ordinary shares (thousand shares) used as the denominator in calculating basic earnings per share	**589,759**	504,524
Adjustments for calculation of diluted earnings per share:		
Share options granted under the Pre-IPO Share Option Scheme (thousand shares) *(note i) (note iii)*	**–**	17,118
Convertible notes (thousand shares) *(note ii) (note iii)*	**–**	12,812
Weighted average number of ordinary shares (thousand shares) and potential ordinary shares used as the denominator in calculating diluted earnings per share	**589,759**	534,454

Note i

On 17 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 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 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 dilutive earnings per share from their date of issue.

Note iii

There were no potential ordinary shares in issue for the year ended 31 December 2021.

12 TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade and bills receivables		
– third parties	**112,705**	90,092
Less: Allowance for credit losses of trade and bills receivables	**(22,312)**	(15,494)
Trade and bills receivables – net	**90,393**	74,598

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

	2021	2020
	RMB'000	*RMB'000*
Within one year	**55,594**	58,051
One to two years	**33,877**	12,398
Two to three years	**922**	4,143
Over three years	**–**	6
	90,393	74,598

As at 31 December 2021, no trade receivables (2020: RMB36,100,000) was pledged as security for the Group's bank borrowings.

13 OTHER RECEIVABLES AND PREPAYMENT

Details of other receivables and prepayments are as follows:

	2021	2020
	RMB'000	*RMB'000*
Amounts due from related parties *(note (i))*	**279**	356
Amounts due from directors related to the exercise of the Pre-IPO Share Option Scheme	**399**	412
Amounts due from employees related to the exercise of the Pre-IPO Share Option Scheme	**1,904**	1,969
Prepayment for equipment of ethanol fuel construction and alcoholic beverage construction projects *(note (ii))*	**28,510**	109,156
Tendering deposits	**–**	220
Deposits receivables, net *(note (iii))*	**70,550**	71,508
Others, net	**2,574**	2,788
	104,216	186,409

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

(ii) The amounts represent the prepayment for equipment of ethanol fuel construction and alcoholic beverage construction projects, which will be recognised to inventories when the equipment is delivered.

(iii) Deposits receivables mainly represents up-front payments for guaranteeing performance of the contracts to Inner Mongolia Zhongneng Biological Technology Co., Ltd of RMB78,000,000 (2020: RMB78,000,000) which will be returned upon the project completes and to Xin Jiang Botai Energy Co., Ltd of RMB1,000,000 (2020: RMB1,000,000) which will be returned upon the project initiates. Impairment losses of approximately RMB1,363,000 was recognised during the year ended 31 December 2021 (2020: RMB7,492,000).

14 TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**106,911**	85,685

As at 31 December 2021 and 2020, the ageing analysis of trade payables based on invoice date was as follows:

	2021	2020
	RMB'000	*RMB'000*
less than one year	**84,939**	72,665
1-2 years	**9,471**	8,249
2-3 years	**7,751**	857
over 3 years	**4,750**	3,914
	106,911	85,685

15 OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
VAT payable	**53,594**	60,371
Other payables and accruals	**18,654**	16,733
Wages payables	**3,384**	826
Amounts due to directors *(Note)*	**382**	306
	76,014	78,236

Note:

The amounts due are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a leading ethanol 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 maintenance for the core system of ethanol production system in the ethanol fuel and alcoholic beverage industries in the PRC. The Company has been qualified as a National High-Tech Enterprise equipped with a provincial standard technology centre. We have cooperated with Guangzhou Institute of Energy Conversion, Chinese Academy of Sciences and various well-known universities, and have undertaken many national research projects with over 30 patented technologies researched and developed by the Company. These proprietary intellectual properties enable us to provide production processes and technologies for alcohol, ethanol fuel and similar chemicals for customers at large. The pressure vessel equipment designed and constructed by the Company are both CE and ASME certified.

The Company is well-equipped to undertake a full range of services from engineering design, large-scale equipment manufacturing to integration, installation and commissioning for alcohol, ethanol fuel and similar production systems. We provide customers with complete customised solutions for project construction, relocation, upgrading, transformation and installation of systems through bidding, invitation to bid and quotation. According to our business process and operation system, we have established a business model led by marketing service and followed by technical R&D centre support, centralised procurement, collaborative production, distribution and on-site production, installation and commissioning, where each step is assigned with technical engineer service. We have thus created a comprehensive system of design, construction and turnkey project to sincerely serve our customers.

In 2021, China's fixed asset investment grew by 4.9% year-over-year, significantly lower than the 8.1% growth in GDP for the same period. This indicates that effective investment demands were weak, especially for the fuel ethanol and edible alcohol production industries where the Company operates. Apparently the willingness to invest in fixed assets was not strong. Faced with complex and volatile domestic and international environments, the ongoing global spread of the COVID-19 and the emergence of the new Delta and Omicron variants, we barely made any progress in our overseas projects under negotiation in recent years due to mounting external instability and uncertainty. Domestically, as market environment was affected and intricate, national economy registered an unbalanced recovery where the rising raw material and commodity prices in the upstream constantly imposed pressure on downstream industries, resulting in an unstable recovery in demand. As a result, domestic production and economic activities experienced severe challenges. The quarterly growth rates dropped from 18.3% in the first quarter to 4.0% in the fourth quarter, with major economic indicators going weak. As for the fuel ethanol and edible alcohol industries where the Company operates, demand has been saturated following expansion of production capacities in recent years. In response to the complicated and unfavorable business environment, under the leadership of the Board, management team of the Company has tried every means to overcome difficulties and control the decline of the Company's business performance by focusing on the annual business objectives and tasks.

During the Reporting Year, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended since 1 April 2021 due to the delay in publication of the 2020 Final Results and will remain suspended until further notice. The Company has been working effectively to fulfill the requirements in accordance with the resumption guides issued by the Stock Exchange. Pursuant to the resumption guides, the Company has established an independent investigation committee; engaged a special independent investigator to conduct an investigation in respect of the previous auditor's concerns and announced the investigation results on 28 January 2022; engaged an internal control consultant to assess the Company's internal control system and implementation procedures, thus assisting the Company to improve the deficiencies in its internal controls, and announced the major findings in the internal control review on 2 June 2022. The Company has also engaged a new auditor to perform the audit for the 2020 annual results and published its 2020 Annual Report, 2021 Interim Report and this 2021 Annual Results. The Company is expected to apply to the Stock Exchange for resumption of trading upon completing the publication of all the delayed reports in near future.

The main business activities of the Group in the current year are as follows:

1) Marketing activities and market development

During the Reporting Year, while the COVID-19 pandemic was still raging around the world, some potential overseas projects of the Company have almost ground to a halt. Marketing team of the Company could only shift its focus to the domestic market the environment of which was not that optimistic. The saturation in the ethanol industry's production capacity has affected the Company's business. In addition, as it is affected by the prevention and control measures of the COVID-19 pandemic in some area from time to time, and the market activities are not easy to carry out, and most of our marketing activities had to be conducted on-line rather than face-to-face, the effectiveness and success rates have been significantly impaired, hence resulting in lower business volumes.

During 2021, the Group has signed sales contracts with a total value of approximately RMB179.0 million. When compared with the Group's total contract value of approximately RMB659.3 million for 2020, the contract sum had decreased by RMB480.3 million or approximately 72.8%. It indicated that the market and economic conditions in 2021 were considerably more unfavorable to the Group and the substantial decrease in the amount of new contracts has affected the operating income of the current year.

During the Reporting Year, the Company recorded a total operating income of RMB386.8 million, representing a decrease of RMB134.8 million or approximately 25.8% when compared to approximately RMB521.6 million for the year ended 31 December 2020. The significant drop in the number of new contracts secured did not only impact the operating income this year but also might affect that for the coming years.

2) The status of projects under construction

During the Reporting Year, Engineering, Procurement and Construction ("**EPC**") projects in fuel ethanol and edible alcohol industries still represented the main types of projects for the Company, with facility upgrades rather than completely new built as the majority. The five highest value projects accounted for about 90% of the total revenue for the year, having generated total revenue of approximately RMB351 million. The remaining 10% of revenue was attributable to certain equipment renovation and upgrading projects provided to some small and medium-sized fuel ethanol or edible alcohol producers in addition to direct sales of small equipment and components. The five highest value projects are outlined below.

The highest value project was our provision of a new set of equipment producing an annual output of 300 thousand tons of fuel ethanol with corn biomass as feedstock for a regular customer in Heilongjiang Province. It contributed approximately RMB133 million to revenue. The second highest value one was an EPC project for upgrading and transforming an old production facility to produce a daily output of 300 tons of high quality alcohol in Heilongjiang Province, which contributed approximately RMB70 million of revenue for the year. The third largest contract contributed approximately RMB70 million of revenue and it provided an existing customer in Heilongjiang Province with a new set of equipment producing an annual output of 300 thousand tons of fuel ethanol using corn biomass as feedstock for its phase 2 facility expansion. The fourth largest contract was to supply, install and commission an alcohol distillation equipment for an existing customer in Anhui Province for its relocation and renovation of a fuel ethanol production plant with an annual output of 300 thousand tons. It contributed approximately RMB65 million of revenue. The fifth highest value project was an alcohol distillation and dehydration equipment with an annual output of 100 thousand tons of neutral edible alcohol and 100 thousand tons of fuel ethanol alcohol for a new customer in Heilongjiang Province, contributing approximately RMB13 million of revenue.

3) Technology research and development

During the Reporting Year, the Company continued to increase R&D investment and adhered to the innovation-oriented business philosophy. It helped maintain the Company's competitiveness in ethanol production technology and create a sound technical foundation for the Company's market development. In 2021, the Company invested RMB21 million in research and development and applied for 2 new patents in order to further strengthen the Company's core technology competitiveness in the industry.

The Group is engaged in multiple research projects in fuel ethanol and edible alcohol production plant and its process methods, among which, there are two key research and development projects. The first project performs R&D on hydrogen production technology and equipment (RD065). In 2021, the project has manufactured the first set of hydrogen production devices for gaining proof of concept and commissioning trials. In turn, we have obtained important technical data and equipment manufacturing experience, which helped us establish solid foundation for diversifying into another new energy industry. Another one is a major science and technology project (RD061) in Guangdong Province, which is carried out in close collaboration with the a project team organised by various universities. After several times of online and offline communications and discussions, the process designs for the above projects have been integrated and refined. Moreover, the process flow diagrams of the projects including instruments control and pipelines layout have been completed. The project team has delegated its members for site inspection and measurement in terms of its plant construction many times, and the layout plans for equipment and the whole plant were completed. At the same time, the design and processing plan for the main equipment has been finished. According to the design plan, we have formulated the material and equipment procurement plan required for the entire pilot plant. Certain materials and equipment included in the procurement plan have been purchased. Those materials and equipment which have been purchased are already put in the manufacturing process.

FUTURE PROSPECTS

(1) Business development strategy

In the next few years, with the world's attention and commitment to carbon emission reduction and carbon neutrality and China's dual carbon goals, application and development of new energy production technologies will enter into a new era. The Company will seize this historic opportunity and actively develop new technologies and new business given its leading position in the industry.

The Company aims to maintain technical advantages in the fuel ethanol market. Through our R&D efforts in the cutting-edge 1.5th and 2nd generation cellulose ethanol production technologies as well as hydrogen energy production technology and related equipment manufacturing, we shall be able to increase project income from these new areas in the future.

Looking forward, we will further strengthen the building of our marketing team, continuously improve the depth and breadth of sales network, maintain good relationships with the existing customers and actively acquire new customers. We will also proactively explore investment opportunities in related industries and to increase technical service income from other chemicals in order to expand the current revenue mix.

The Company will, where possible, seek opportunities to enter into downstream industries and cooperate with private enterprises to produce and sell ethanol projects by leveraging on its technological advantages. We believe the above maneuvers will bring additional and stable energy income to the Group.

(2) Strengthen technology R&D

Independent innovation is vital to the Company's sustainable development. Since its establishment, the Company has committed substantial resources to R&D for new technologies and processes. As at the end of the Reporting Year, the Group has 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. We conduct effective and regular exchanges with customers, universities and research institutes so as to create an organic combination of learning, research and production. Our R&D activities will focus on fuel ethanol technology, super grade alcohol, hydrogen production and equipment manufacturing technology. So long as our technology is ahead of the curve, it will eventually be converted into business income to our Group.

FINANCIAL REVIEW

Revenue

During the Reporting Year, the Company realised a total operating revenue of RMB386.8 million (2020: RMB521.6 million), a decrease of 25.8% over the year ended 31 December 2020, and a profit attributable to owners of the Company of RMB8.4 million (2020: RMB44.4 million), which decreased by 81.1% compared to the year ended 31 December 2020. The decrease of revenue was mainly due to the contracts secured less than previous years. The total contracted amount shrunk about 72.8% in the Reporting Year as affected by the inactive investment expenditure of ethanol industry during the COVID-19 outbreak period.

Cost of sales

Cost of sales decreased by approximately RMB47.3 million, or 12.2%, from approximately RMB388.8 million for the year ended 31 December 2020 to approximately RMB341.5 million for the Reporting Year. Such decrease was mainly driven by the corresponding decrease in revenue of the Reporting Year.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB87.4 million, or 65.9%, from approximately RMB132.7 million for the year ended 31 December 2020 to approximately RMB45.3 million for the Reporting Year. The Group's overall gross profit margin decreased from approximately 25.4% for the year ended 31 December 2020 to approximately 11.7% for the Reporting Year. The decrease in gross profit margin was mainly due to a number of sizable contracts having been priced at discounts for regular customers, or the costs being overrun.

Selling and marketing expenses

The Group's selling and marketing expenses decreased by approximately RMB2.8 million, or 31.8%, from approximately RMB8.8 million for the year ended 31 December 2020 to approximately RMB6.0 million for the Reporting Year, mainly due to difficult marketing promotion. The marketing activities and communications through traditional visits previously were shifted to on-line mode during the COVID-19 outbreak period in 2021, which saved some costs but could not bring more contracts for the Company.

Administrative expenses

The administrative expenses decreased by approximately RMB30.2 million, or 57.5%, from approximately RMB52.5 million for the year ended 31 December 2020 to approximately RMB22.3 million for the Reporting Year. Such great fluctuation was mainly attributable to most IPO listing expenses incurred in 2020 which the IPO was completed, and some expenses were non-recurring in 2021.

Net impairment losses Under Expected Credit Loss Model

The Group's net impairment losses under expected credit loss model increased by approximately RMB8.2 million, or 50.6%, from RMB16.2 million for the year ended 31 December 2020 to approximately RMB24.4 million for the Reporting Year, mainly due to the uncertainty of the economic development. The Company engaged a third independent appraiser who prepared a valuation for trade receivables and contract assets.

Other income and other gains – net

The other income and other gains – net increased by approximately RMB15.2 million from approximately RMB3.1 million for the year ended 31 December 2020 to approximately RMB18.3 million for the Reporting Year, were mainly attributable to some contracts of the Concerned Transactions (as defined on page 40 of this announcement) being cancelled, as a result of which an approximately RMB10.7 million were refunded and recognised as other income of the Group in 2021.

Finance costs – net

The Group's finance costs – net increased by approximately RMB0.6 million from approximately RMB1.4 million for the year ended 31 December 2020 to approximately RMB2.0 million for the Reporting Year. The finance costs mainly represented interests on bank borrowings. There was an increase on loan amount in 2021.

Income tax expenses

The income tax expense decreased by approximately RMB11.5 million from approximately RMB12.6 million for the year ended 31 December 2020 to approximately RMB1.1 million for the Reporting Year, primarily attributable to the decrease in the taxable profit during the Reporting Year. 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 for 2021 was 9.8%. The effective tax rate is lower than the China corporate preferential income tax rate of 15% mainly due to the R&D expenses, while a deductible proportion can be 200% of the actual the R&D expenses.

Profit attributable to owners of the Company

As a result of the foregoing, for the Reporting Year, the Group recorded a profit attributable to owners of the Company of approximately RMB8.4 million as compared to a profit of approximately RMB44.4 million for the year ended 31 December 2020, representing a decrease of approximately RMB36.0 million or 81.1%, mainly due to the decrease in revenue and gross profit margin.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, there were a total of 589,758,898 shares in issue. There was no change in the number of issued shares of the Company during the Reporting Year.

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 2021, the Group had net current assets of approximately RMB194.7 million (2020: approximately RMB205.4 million) and bank deposits, balances and cash of approximately RMB6.9 million (2020: approximately RMB37.3 million).

* *For identification purposes only*

As at 31 December 2021, the Group's total equity attributable to owners of the Company amounted to approximately RMB249.9 million (2020: approximately RMB242.6 million), and the Group's total debt comprising lease liabilities amounted to approximately RMB287.1 million (2020: approximately RMB256.6 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.

The Group expresses its gearing ratio as a percentage of total debts divided by total equity. The Group's gearing ratio was approximately 1.15 (as at 31 December 2020: approximately 1.06).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Reporting Year, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures. 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 2021.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2021, the Group's borrowings were approximately RMB31.9 million (31 December 2020: RMB20.7 million), of which RMB24.4 million will be repayable within 1 year. Such loans were all denominated in RMB. The weighted average effective interest rates as at 31 December 2021 and 2020 are 4.62% and 4.72% respectively. There is no seasonal requirement for borrowings.

As at 31 December 2021, the right-of-use land and buildings of the Company's subsidiaries have been pledged to the bank as security for banking facilities granted to the Group. The pledged land and properties 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. Since there are certain monetary assets and monetary liabilities that are denominated in Hong Kong dollars, the Group would be exposed 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 significant contingent liabilities as at 31 December 2021 (2020:Nil).

COMMITMENTS

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

SEGMENT INFORMATION

Segment information for the Group is disclosed in note 4 to the consolidated financial statements of this announcement.

INFORMATION ON EMPLOYEES

As at 31 December 2021, the Group had 101 employees (2020: 103 employees). The decrease 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.

FINAL DIVIDEND

The Board does not recommend the distribution of any final dividend for the year ended 31 December 2021 (2020: Nil).

EVENTS AFTER THE REPORTING DATE

As from 31 December 2021 to the date of this announcement, no significant events have occurred.

COMPLIANCE WITH 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 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**") during the year ended 31 December 2021, except for the deviations set out below.

1. 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 year ended 31 December 2021, certain regular Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely decision-making process in respect of internal affairs of the Group. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by the Directors. The Board will use reasonable endeavor to meet the requirement of code provision A.1.3 of the CG Code in the future.

2. Code provision A.2.7 of the CG Code stipulates that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. During the year ended 31 December 2021, no formal meeting was arranged between the Chairman of the Board and the independent non-executive Directors without the other Directors present due to tight schedules of the Chairman of the Board and the independent non-executive Directors. The independent non-executive Directors may communicate and discuss with the Chairman directly at any time to share their view on the Company's affairs. The Company considers that there are sufficient channels and communication for discussion of the Company's affairs between the Chairman and independent non-executive Directors in the absence of other Directors.

COMPLIANCE WITH THE 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 year ended 31 December 2021.

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 Company's listed securities during the year ended 31 December 2021.

REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the year ended 31 December 2021 have been reviewed by the Audit Committee of the Company, which comprises three independent non-executive Directors, namely Mr. Chan Siu Shan Sam (Chairman of the Audit Committee), Mr. Richard Antony Bennett and Mr. Chan Shing Fat Heron.

SCOPE OF WORK OF KTC PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, KTC Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KTC Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited on this announcement.

EXTRACT OF THE AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION

Corresponding figures – Payments for various professional and consultancy services

The auditors which were originally engaged by the Company to act as auditors of the consolidated financial statements of the Group for the financial year ended 31 December 2020 (the "**Predecessor Auditors**") resigned as auditors with effect from 28 June 2021. The Predecessor Auditors had raised concerns (the "**Audit Issues**") over certain payments of a total of not less than RMB18,603,000 (equivalent to HK$21,995,000) paid by the Group to various service providers (the "**Service Providers**") for various professional and consultancy services (the "**Concerned Transactions**"). The Audit Issues in relation to the Concerned Transactions included the commercial substance and business rationale for engaging the Service Providers to provide such services shortly after the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited on 15 July 2020 and for prepaying the entire contract sum in full, and whether there was any relationship between certain of the Service Providers with the Group and its management. The Independent Investigation Committee formed by the Company has engaged an independent professional advisor (the "**Advisor**") to conduct an independent investigation on the Concerned Transactions. The Advisor completed its investigation and issued an independent investigation report dated 17 January 2022.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the validity, business rationale, commercial substance and classification of the payment transactions that led to the recognition by the Group of the purported professional, advisory and consultancy service fees of approximately RMB18,603,000 as legal and professional fees expenses included in administrative expenses recognised in consolidated profit or loss for the year ended 31 December 2020 and whether any of the parties involved in the Concerned Transactions were related to the Group or related parties of the Group as there were certain limitation in the Advisor's work as stated in the Advisor's independent report. The limitations of the independent investigation were described in the announcement of the Company dated 28 January 2022, including the refusal of some interviewees to attend any interview by way of video conference or telephone call with the Advisor. In addition, certain part of the work of the Advisor was not backed by sufficient supporting documents and the management of the Company was unable to provide us with sufficient documentary evidence to corroborate the explanations about the business rationale and commercial substance of the Concerned Transactions. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether these professional, advisory and consultancy services fee expense of approximately RMB18,603,000 and the related disclosures thereof in the consolidated financial statements were free from material misstatement. Any adjustments that might have been found necessary may have a significant effect on the fair presentation of the consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2020, including the classification and related disclosure in the consolidated financial statements of the expenses or losses arising from the Concerned Transactions.

Any adjustments to the figures as described above might have consequential effects on the consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2020. Accordingly, our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 was modified in respect of this matter. Our opinion on the consolidated financial statements of the Group for the year ended 31 December 2021 is also modified because of the possible effects of this matter on the comparability of the current year's and the corresponding figures.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zkty.com.cn), and the annual report for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company 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 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.

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, 14 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.