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China New Energy Limited

(Incorporated in Jersey, Channel Islands with limited liability and carrying on business in Hong Kong as “Zhongke Tianyuan New Energy Limited”)
(Stock Code: 1156)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the “**Board**”) of directors (the “**Directors**”) of China New Energy Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(All amounts in RMB Yuan thousands unless otherwise stated)

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2020	2019
Revenue	5	171,786	163,897
Cost of sales		<u>(121,511)</u>	<u>(114,034)</u>
Gross profit		50,275	49,863
Selling and marketing expenses		(6,012)	(3,477)
Administrative expenses		(17,175)	(14,897)
Net impairment losses on financial and contract assets		(8,404)	(1,871)
Other income		1,000	791
Other gains/(losses) – net		<u>1,589</u>	<u>(2,730)</u>
Operating profit		21,273	27,679
Finance income		58	20
Finance costs		<u>(794)</u>	<u>(635)</u>
Finance costs – net		<u>(736)</u>	<u>(615)</u>
Profit before income tax		20,537	27,064
Income tax expenses	6	<u>(4,588)</u>	<u>(5,713)</u>
Profit for the period		<u>15,949</u>	<u>21,351</u>
Profit attributable to:			
– Owners of the Company		<u>15,949</u>	<u>21,351</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic earnings per share	7	0.036	0.048
Diluted earnings per share	7	<u>0.031</u>	<u>0.046</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2020	2019
Profit for the period	15,949	21,351
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
– Exchange differences on translation of foreign operations	<u>776</u>	<u>(169)</u>
Total comprehensive income for the period	<u>16,725</u>	<u>21,182</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	<u>16,725</u>	<u>21,182</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

		30 June 2020	31 December 2019
	<i>Note</i>	Unaudited	Audited
ASSETS			
Non-current assets			
Financial assets at fair value through other comprehensive income		5,015	5,015
Property, plant and equipment		10,968	11,589
Right-of-use assets		5,715	6,281
Intangible assets		19,120	18,252
Deferred tax assets		5,558	4,325
		<u>46,376</u>	<u>45,462</u>
Current assets			
Inventories		6,291	3,358
Contract assets	5	86,636	118,108
Trade receivables	9	129,160	94,628
Other receivables and prepayments		104,729	110,688
Restricted cash		1,719	2,321
Cash and cash equivalents		15,316	26,466
		<u>343,851</u>	<u>355,569</u>
Total assets		<u>390,227</u>	<u>401,031</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,444	1,444
Reserves		145,942	128,986
Total equity		<u>147,386</u>	<u>130,430</u>

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

		30 June	31 December
		2020	2019
	<i>Note</i>	Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Lease liabilities		<u>2,435</u>	<u>2,889</u>
Current liabilities			
Contract liabilities	<i>5</i>	21,130	15,140
Bank borrowings		13,850	18,941
Convertible notes		11,272	11,847
Trade payables	<i>10</i>	93,116	114,755
Other payables	<i>10</i>	62,395	72,916
Lease liabilities		1,065	1,073
Current income tax liabilities		<u>37,578</u>	<u>33,040</u>
		<u>240,406</u>	<u>267,712</u>
Total liabilities		<u>242,841</u>	<u>270,601</u>
Total equity and liabilities		<u>390,227</u>	<u>401,031</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

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, Channel Islands, JE1 1ES. The shares of the Company have been listed and admitted to trading on AIM since 23 May 2011.

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").

On 15 July 2020, the shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited. On the same day, the shares of the Company in AIM were delisted.

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB'000), unless otherwise stated. The condensed consolidation interim financial information was approved for issue on 25 August 2020.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the 2019 financial statements as described therein.

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

The following new or amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2020.

Standards	Subject
IFRS 3 (Amendments) Conceptual Framework For Financial Reporting 2018	Definition of a Business Revised Conceptual Framework For Financial Reporting
IAS 1 and IAS 8 (Amendments)	Definition of Material
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform

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

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

Certain new and amended standards have been issued and are not effective for financial year beginning 1 January 2020 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group.

Standards	Subject	Effective for annual periods beginning on or after
IFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020
IAS 1(Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
IFRS 3(Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 16(Amendments)	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
IAS 37(Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment. The chief operating decision maker has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of ethanol production system technology integrated service in the ethanol fuel and alcoholic beverage industries. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measure reported to the executive directors for the purpose of resources allocation and performance assessment.

As at 31 December 2019 and 30 June 2020, all of the non-current assets were located in the PRC.

5. REVENUE/CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Revenue

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Ethanol fuel construction services	144,058	131,604
Alcoholic beverage construction services	26,722	31,958
Others	1,006	335
Total	<u>171,786</u>	<u>163,897</u>
– Recognised over time	171,413	163,897
– Recognised at a point in time	373	–

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

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

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
PRC	163,719	160,790
Other countries	8,067	3,107
Total	<u>171,786</u>	<u>163,897</u>

(b) Assets and liabilities related to contracts with customers

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

	As at	
	30 June	31 December
	2020	2019
	Unaudited	Audited
Contract assets relating to construction contracts	93,819	124,107
Loss allowance	(7,183)	(5,999)
Total contract assets	<u>86,636</u>	<u>118,108</u>
Contract liabilities relating to construction contracts	<u>21,130</u>	<u>15,140</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Current income tax	5,821	5,844
Deferred income tax	<u>(1,233)</u>	<u>(131)</u>
Income tax expenses	<u><u>4,588</u></u>	<u><u>5,713</u></u>

(a) PRC enterprise income tax

The enterprise income tax rate applicable to the group entities located in mainland China is 25% according to the Enterprise Income Tax Law of the People's Republic of China (the "EIT Law") effective on 1 January 2008 except Guangdong Zhongke Tianyuan New Energy Science and Technology Co. Ltd., which is the major subsidiary of the Group, was qualified as "High and New Technology Enterprise" in 2019 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the period ended 30 June 2020.

(b) Overseas income tax

The Company is regarded as resident for tax purposes in Jersey and on the basis that the Group is neither a financial services group nor a utility group for the purposes of the Income Tax (Jersey) Law 1961, as amended, the Company is subject to income tax in Jersey at a rate of zero per cent. For other jurisdictions, the taxes arising from offshore are borne by the overseas customers according to the contract terms.

7. EARNINGS PER SHARE

(a) Basic earnings per share

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit attributable to owners of the Company	15,949	21,351
Weighted average number of ordinary shares in issue (thousand shares)	444,448	444,448
Basic earnings per share	<u><u>0.036</u></u>	<u><u>0.048</u></u>

(b) **Diluted earnings per share**

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit attributable to owners of the Company used in calculating diluted earnings per share	15,374	21,351
Weighted average number of ordinary shares in issue and potential ordinary shares (thousand shares)	490,789	462,325
Dilutive earnings per share	<u>0.031</u>	<u>0.046</u>

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

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
<i>Basic earnings per share</i>		
Profit attributable to owners of the Company used in calculating basic earnings per share:	15,949	21,351
<i>Diluted earnings per share</i>		
Profit attributable to owners of the Company used in calculating basic earnings per share	15,949	21,351
Add: fair value gains on convertible notes	<u>(575)</u>	<u>–</u>
Profit attributable to owners of the Company used in calculating diluted earnings per share	<u>15,374</u>	<u>21,351</u>

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

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Weighted average number of ordinary shares (thousand shares) used as the denominator in calculating basic earnings per share	444,448	444,448
Adjustments for calculation of diluted earnings per share:		
Share options granted under the Pre-IPO Share Option Scheme (thousand shares) (<i>Note i</i>)	22,416	8,963
Convertible notes (thousand shares) (<i>Note ii</i>)	23,925	8,914
	<hr/>	<hr/>
Weighted average number of ordinary shares (thousand shares) and potential ordinary shares used as the denominator in calculating diluted earnings per share	490,789	462,325
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Note i

On 20 October 2017, the Group granted 39,300,508 share options for the long-term incentive of directors and senior employees of the Group.

The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

Note ii

The Company issued 12% convertible notes for HKD5,250,000 and HKD6,250,000 on 8 February 2019 and 15 February 2019 respectively. The notes are convertible into ordinary shares of the Company upon the Company obtaining the approval for listing in Hong Kong. Assuming no adjustments to the conversion price is made, the number of conversion shares shall be 23,924,502 shares. Convertible notes are included in the determination of dilutive earnings per share from their date of issue.

8. DIVIDENDS

No dividends have been declared or paid by the Company during the period ended 30 June 2019 and 2020.

9. TRADE RECEIVABLES

	As at	
	30 June 2020 Unaudited	31 December 2019 Audited
Trade receivables – third parties	147,101	105,752
Less: allowance for impairment of trade receivables	<u>(17,941)</u>	<u>(11,124)</u>
Trade receivables – net	<u>129,160</u>	<u>94,628</u>

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

	As at	
	30 June 2020 Unaudited	31 December 2019 Audited
Within one year	108,539	80,880
One to two years	12,948	8,315
Two to three years	<u>7,673</u>	<u>5,433</u>
	<u>129,160</u>	<u>94,628</u>

As at 31 December 2019 and 30 June 2020, the fair value of trade receivables approximated their carrying amounts.

As at 31 December 2019 and 30 June 2020, trade receivables were denominated in RMB.

10. TRADE AND OTHER PAYABLES

	As at	
	30 June 2020 Unaudited	31 December 2019 Audited
Trade payables (<i>Note (a)</i>)	93,116	114,755
Other payables and accruals	24,238	24,928
Amounts due to directors (<i>Note (b)</i>)	439	426
VAT payables	37,718	47,562
	<u>155,511</u>	<u>187,671</u>

Notes:

- (a) As at 31 December 2019 and 30 June 2020, the ageing analysis of trade payables based on invoice date was as follows:

	As at	
	30 June 2020 Unaudited	31 December 2019 Audited
1-90 days	15,425	53,584
90-180 days	14,315	24,655
180-365 days	33,607	16,726
1-2 years	18,232	8,800
2-3 years	4,442	3,438
Over 3 years	7,095	7,552
	<u>93,116</u>	<u>114,755</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”) of China New Energy Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2020 (“**1H2020**”), together with the comparative unaudited figures for the six months ended 30 June 2019 (“**1H2019**”) and certain comparative figures as at the last audited financial year ended 31 December 2019. All amounts set out in this announcement are presented in Renminbi (“**RMB**”) unless otherwise indicated.

BUSINESS REVIEW

On 15 July 2020 (the “**Listing Date**”), the shares of the Company were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company is a leading ethanol production system producer in the People’s Republic of China (“**PRC**” or “**China**”). We primarily provide integrated services including engineering design, equipment manufacturing, installation and commissioning and subsequent value-added maintenance for the core system of ethanol production system in the ethanol fuel and alcoholic beverage industries in the PRC.

In the first half of 2020, coronavirus (“**COVID-19**”) epidemic spread rapidly around the world. The Company actively took the social responsibility and took the initiative when the epidemic broke out at the beginning of this year. In order to help alleviate the shortage of disinfectant alcohol in major hospitals and major service departments in Guangdong Province, the Company donated 5 tons of 75% medical disinfectant alcohol, and had our executives sending those materials to 17 hospitals, Traffic Control Bureau of Guangdong Police Department and other front-line departments in Guangdong Province.

In addition to the Company continued to steadily implement the core business of providing clean energy equipment, and the Company also quickly provided production equipment or updated production equipment for alcohol manufacturers in case of the outbreak of epidemic, so as to help the customers for the production of anti-epidemic materials. In strict accordance with the requirements of the local government, the Company makes every effort to do a good job in the prevention and control of the COVID-19 epidemic, and actively organises the Company’s personnel to return to work and production safely.

After returning to work, in order to achieve the annual objectives and tasks, the Company continues to adhere to the customer-oriented service concept, focus on production and implementation, overcome various difficulties, actively explore the market, deepen internal management, and improve the quality of products and services.

During the reporting period, the Company realised a total operating revenue of RMB171.8 million (RMB163.9 million in 1H2019), an increase of 4.8% over the same period of last year, an operating profit of RMB21.3 million (RMB27.7 million in 1H2019), a decrease of 23.1% over the same period of last year; the net profit of RMB15.9 million (RMB21.4 million in 1H2019), decreased by 25.7% compared with the same period of last year. The Company's gross profit remained stable, indicating that the Company's business was less affected by the epidemic. The decrease of net profit is mainly due to the increase of RMB6.5 million in the net impairment losses on financial and contract assets in the current period.

The main business situation of the Company is as follows:

(1) Actively develop the market

During the reporting period, the Company continuously strengthened the efforts in market promotion and customer development, the industry research and market dynamic analysis, effectively promoted the Company's business through customer cloud communication, follow-up on-the-spot communication, participation in industry conferences and other ways, expanded the market influence, and continuously developed new customers under the condition of long-term good cooperation with major customers cooperation. During the reporting period, 21 new contracts were signed, with the contract amount (excluding VAT) of RMB115.0 million. As of 30 June 2020, we had a backlog of 49 contracts with an amount (excluding VAT) of RMB528.1 million.

(2) Strengthen research and development (“R&D”) and strengthen core competitiveness

During the reporting period, the Company continued to increase R&D investment and adhered to the innovation oriented business philosophy to ensure the Company's technical competitiveness and lay a good technical foundation for the Company's market development. During the reporting period, the Company invested a total of RMB1.2 million in R&D, applied for 4 new patents, strengthened patent management and intellectual property protection, and continued to consolidate the Company's core technology competitiveness.

(3) Operation and management

During the reporting period, the Company has established various management systems and internal control systems in line with the requirement of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), strengthened the execution of the systems, and strengthened the concept of risk and quality safety prevention and control. In 1H2020, several contract projects of the Company are under construction, with a cost incurred of RMB121.5 million.

(4) Prevention and control of COVID-19 epidemic and its influence

During the reporting period, COVID-19 epidemic broke out all over the world. After the outbreak of COVID-19 epidemic, the Company quickly formulated the epidemic prevention plan and actively organised the implementation of various epidemic prevention measures. Under the condition of ensuring the safety of epidemic prevention, the Company officially resumed work and production on 10 February 2020 according to the requirements of the government’s notice on returning to work, and the rate of employees returning to work reached the normal level in the middle of February 2020. At present, the epidemic situation of COVID-19 in China has improved, and the epidemic situation of COVID-19 in China has not adversely affected the production and operation of the Company while, the epidemic situation of COVID-19 abroad is relatively serious, for instance, the delivery progress of Indonesia project in the reporting period was slightly delayed. However, the outbreak of COVID-19 has no material impact to the Company’s business operations.

FUTURE PROSPECTS

(1) Business development strategy

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

(2) Strengthen technology R&D

Independent innovation is the vitality of the Company's sustainable development. Since its establishment, the Company has attached great importance to the R&D of new technologies and processes. As of the end of the reporting period, the Company has obtained a total of 32 patents (including subsidiaries), including 21 invention patents. Relying on its leading position in the clean energy technology industry, the Company will continue to increase investment in technology R&D, and effectively communicate with customers, universities and research institutes, so as to create an organic combination of production, learning and research.

FINANCIAL REVIEW

Revenue

Revenue for the reporting period increased by approximately RMB7.9 million, or 4.8%, from approximately RMB163.9 million for 1H2019 to approximately RMB171.8 million for 1H2020, which was due to fulfilling orders rolled over from 2019 and the new contracts signed during the reporting period mainly due to the continuous growth in demand for ethanol production systems and the ability in securing ethanol fuel projects and alcoholic beverage upgrade projects.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB0.4 million, or 0.8%, from approximately RMB49.9 million for 1H2019 to approximately RMB50.3 million for 1H2020.

The overall gross profit margin decreased from approximately 30.4% for 1H2019 to approximately 29.3% for 1H2020.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately RMB2.5 million, or 71.4% from approximately RMB3.5 million for 1H2019 to approximately RMB6.0 million for 1H 2020, mainly due to the increase of bonus for marketers as a result of improvement of Company's operating results in 2019.

Administrative Expenses

Our administrative expenses primarily consist of employee benefit expenses, listing expenses, depreciation and amortisation and others. The increase of administrative expenses by about 15.4% for the reporting period to approximately RMB17.2 million (1H2019: approximately RMB14.9 million) was primarily driven by (a) the Listing expenses of approximately RMB9.1 million incurred in 1H2020 (1H2019: approximately RMB7.4 million); and (b) the bonus for employees increased due to the improvement of Company's operating result in 2019.

Net impairment losses on financial and contract asset

The Group's net impairment losses on financial and contract asset increased by approximately RMB6.5 million, or 342.1% from RMB1.9 million for 1H2019 to approximately RMB8.4 million for 1H2020, mainly due to the uncertainty of the development of COVID-19, the Company has cautiously increased the expected loss rate of trade receivables and contract assets.

Other Income

The Group's other income is mainly the subsidy income granted by the PRC government. The increase was mainly contributable from the increase in government's subsidy in the PRC during the period.

Other Gains/(Losses) – net

The Group's other losses – net was RMB2.7 million for 1H2019, and the Group's other gains – net was RMB1.6 million for 1H2020, mainly due to the change in fair value on convertible notes.

Finance Costs – net

The Group's finance costs – net increased by approximately RMB0.1 million from approximately RMB0.6 million for 1H2019 to approximately RMB0.7 million for 1H2020 which was mainly due to increase in interest charged on loan facilities.

Income Tax Expense

The Group's income tax expense decreased by approximately RMB1.1 million or 19.3% from approximately RMB5.7 million for 1H2019 to approximately RMB4.6 million for 1H2020. 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 the 1H2020 is 22.2% which is higher than the China corporate preferential income tax rate of 15% mainly due to the loss position of Guangdong Boluo Zhongke Tianyuan High and New Technology Engineering Co., Limited* (廣東省博羅中科天元高新技術工程有限公司) and the Company, deducting the profit before tax of the Company.

Profit Attributable to the Owners of the Company

As a result of the foregoing, the Group reported profit attributable to owners of the Company of approximately RMB15.9 million for 1H2020, representing a decrease of approximately RMB5.5 million or 25.7% as compared to approximately RMB21.4 million for 1H2019.

Liquidity, Financial Resources and Capital Structure

Gearing ratio is calculated based on the net debt divided by total capital. Net debt is calculated as total borrowings plus convertible notes plus lease liabilities less cash and cash equivalents. Total capital is calculated as total equity as shown in the condensed consolidated interim balance sheet plus net debt. The gearing ratio of the Company from approximately 6.0% as at 31 December 2019 to approximately 8.3% as at 30 June 2020, which was mainly due to decrease in cash and cash equivalents (excluding restricted cash).

As at 30 June 2020, the Group's cash and cash equivalents were approximately RMB15.3 million (as at 31 December 2019: approximately RMB26.5 million) and the Group's restricted cash was approximately RMB1.7 million (as at 31 December 2019: approximately RMB2.3 million). The Directors consider the level of cash balances to be reasonable, which would enable the Company to maintain its liquidity position in settling the progress payments on time to suppliers and enhance its position as main contractor's competitiveness despite the outbreak of COVID-19.

* *for identification purposes only*

As at 30 June 2020, the current ratio of the Group was approximately 1.4 times (as at 31 December 2019: approximately 1.3 times).

The Group's principal use of cash is mainly for payments to suppliers, subcontractors and working capital needs.

Capital Structure

As at 30 June 2020, the capital structure of the Group consisted of equity of approximately RMB147.4 million (as at 31 December 2019: approximately RMB130.4 million) and bank borrowings of RMB13.9 million (as at 31 December 2019: RMB18.9 million) as more particularly described in the paragraph headed "Borrowings" below.

Borrowings

The Directors confirmed that the Group had neither experienced any difficulties in obtaining or repaying its bank borrowings, nor breached any major covenant or restriction of the Group's facilities up to the date of this announcement. There are no material covenants related to the Group's outstanding debts that would materially limit its ability to undertake additional debt or equity financing.

Net Current Assets

The Group's net current assets increased by approximately RMB15.6 million, or 17.7%, from approximately RMB87.9 million as at 31 December 2019 to approximately RMB103.5 million as at 30 June 2020, which was a combined effect of the decrease in contract assets and cash equivalents. The Board regularly reviews the maturity analysis of the Group's contractual liabilities and concludes that there is no liquidity issue that may cast significant doubt on the Company's ability to continue as a going concern.

Capital Expenditures

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

During 1H2020, the Group made capital expenditures of RMB1.2 million on intangible assets and RMB0.9 million on property, plant and equipment respectively.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during 1H2020.

Significant Investment Held

The Group did not hold any significant investment (except for its subsidiaries) during 1H2020.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this announcement, the Group does not have other plans for material investments and capital assets during 1H2020.

Segment Information

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

Contingent Liability

The Group had no contingent liabilities as at 30 June 2020 (as at 31 December 2019: Nil).

Pledge of Assets

As at 30 June 2020, restricted cash of approximately RMB1.7 million (as at 31 December 2019: approximately RMB2.3 million) and the right-of-use assets and buildings of the Company's subsidiaries have been pledged to the Bank of China as security for banking facilities granted to the Group.

Capital Commitments

As at 30 June 2020, the Group did not have any capital commitments (as at 31 December 2019: Nil).

Foreign Exchange Exposure

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

Treasury Policies

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. Bank borrowings of the Group are all denominated in RMB and have been arranged on a floating-rate basis. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Employees and Remuneration Policies

As at 30 June 2020, the Group's workforce stood at 97 employees as compared with 96 employees as at 31 December 2019.

The Group's remuneration package remained relatively stable while the bonus, which is linked to Company's operating result in 2019 as well as individual performance, met an significant increase. As a result, the total staff costs (excluded directors' emoluments) increased to approximately RMB9 million (1H2019: 6 million).

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.

The Group has adopted a share option scheme which enables the Board to grant share options to eligible participants giving them an opportunity to have a personal stake in the Company. The option scheme will be expired on 17 October 2020. Many employees are confident to the development of the Company and expressed willingness to exercise the option in due course.

USE OF PROCEEDS

The shares of the Company have been listed on the main board of the Stock Exchange since the Listing Date after the six months ended 30 June 2020. The Directors intend to deploy the proceeds according to the manner set out in the Prospectus.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability.

As at 30 June 2020, the shares of the Company were not listed on the Stock Exchange. The principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules had not been applicable to the Company during the six months ended 30 June 2020.

On the Listing Date, the Company has adopted the CG Code as guidelines for corporate governance of the Company. The Company has complied with all the code provisions of the CG Code from the Listing Date and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

As the shares of the Company were not listed on the Stock Exchange as at 30 June 2020, the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules had not been applicable to the Company during the six months ended 30 June 2020. The Company has adopted the Model Code as rules governing dealings of Directors in the listed securities of the Company since the Listing Date.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code from the Listing Date and up to the date of this announcement.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and with the knowledge of the Directors, the Company has maintained sufficient public float during the period from the Listing Date to the date of this announcement.

REVIEW OF INTERIM RESULTS

The results of the Group for the six months ended 30 June 2020 have been reviewed by the audit committee of the Board and by the Company's auditor in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2020 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

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

25 August 2020

As at the date of this announcement, the executive Directors are Mr. Yu Weijun and Mr. Tang Zhaoxing; and the independent non-executive Directors are Mr. Richard Antony Bennett, Mr. Chan Shing Fat Heron and Mr. Chan Siu Shan Sam.