中科天元
ChinaNewEnergy

# 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 2023

The board (the "**Board**") of directors (the "**Directors**") of China New Energy Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 ("**Reporting Year**"), together with the comparative figures for the corresponding period in 2022 as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2023*

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Revenue | 4 | **41,826** | 117,354 |
| Cost of sales | | **(46,948)** | (102,167) |
| **Gross (loss)/profit** | | **(5,122)** | 15,187 |
| Selling and marketing expenses | | **(8,763)** | (9,383) |
| Administrative expenses | | **(17,158)** | (19,481) |
| Impairment losses under expected credit loss model, net of reversal | 9 | **(76,031)** | (40,799) |
| Other income | 6 | **1,564** | 5,760 |
| Other (losses)/gains – net | 7 | **(4,050)** | (6,347) |
| Share of result of associate | | **981** | – |
| **Operating loss** | | **(108,579)** | (55,063) |
| Finance income | 8 | **7** | 9 |
| Finance costs | 8 | **(1,828)** | (1,667) |
| Finance costs – net | | **(1,821)** | (1,658) |
| **Loss before income tax** | 9 | **(110,400)** | (56,721) |
| Income tax (expense)/credit | 10 | **(16,323)** | 5,764 |
| **Loss for the year** | | **(126,723)** | (50,957) |
| **Loss attributable to:** | | | |
| – Owners of the Company | | **(126,594)** | (50,525) |
| – Non-controlling interest | | **(129)** | (432) |
| | | **(126,723)** | (50,957) |
| **Loss per share for loss attributable to owners of the Company (expressed in RMB per share)** | | | |
| Basic loss per share | 12 | **(0.215)** | (0.086) |
| Diluted loss per share | 12 | **(0.215)** | (0.086) |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2023*

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Loss for the year** | **(126,723)** | (50,957) |
| **Other comprehensive loss** | | |
| *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 | **(2,126)** | (1,668) |
| *Items that may be reclassified to profit or loss* | | |
| – Exchange differences on translation of foreign operations | **1,687** | (1,225) |
| **Other comprehensive loss for the year, net of tax** | **(439)** | (2,893) |
| **Total comprehensive loss for the year** | **(127,162)** | (53,850) |
| **Total comprehensive loss attributable to:** | | |
| – Owners of the Company | **(127,033)** | (53,418) |
| – Non-controlling interests | **(129)** | (432) |
| | **(127,162)** | (53,850) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2023*

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **11,691** | 12,311 |
| Intangible assets | | **17,844** | 20,470 |
| Right-of-use assets | | **7,553** | 2,866 |
| Interests in an associate | | **53,981** | – |
| Financial assets at fair value through other comprehensive income | | **–** | 2,502 |
| Deferred tax assets | | **750** | 15,894 |
| | | **91,819** | 54,043 |
| **Current assets** | | | |
| Inventories | | **11,822** | 9,348 |
| Trade and bills receivables | *13* | **34,393** | 73,021 |
| Other receivables and prepayments | *14* | **16,358** | 81,057 |
| Contract assets | | **166,834** | 263,872 |
| Bank balances and cash | | **5,174** | 1,879 |
| | | **234,581** | 429,177 |
| **Current liabilities** | | | |
| Trade payables | *15* | **71,005** | 98,275 |
| Other payables | *16* | **61,900** | 85,246 |
| Contract liabilities | | **42,471** | 25,145 |
| Bank borrowings | | **19,960** | 27,132 |
| Lease liabilities | | **1,057** | 718 |
| Tax payable | | **49,025** | 49,529 |
| | | **245,418** | 286,045 |
| **Net current (liabilities)/assets** | | **(10,837)** | 143,132 |
| **Total assets less current liabilities** | | **80,982** | 197,175 |

| | Notes | **2023**<br>***RMB'000*** | 2022<br>*RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank borrowings | | **7,028** | 1,350 |
| Deferred tax liabilities | | **804** | – |
| Lease liabilities | | **4,387** | – |
| | | **12,219** | 1,350 |
| **Net assets** | | **68,763** | 195,825 |
| **Capital and reserves** | | | |
| Share capital | | **1,762** | 1,762 |
| Reserves | | **67,647** | 194,680 |
| **Equity attributable to owners of the Company** | | **69,409** | 196,442 |
| **Non-controlling interests** | | **(646)** | (617) |
| **Total equity** | | **68,763** | 195,825 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 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 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 July 2020. 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 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 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Group's recorded a net loss of approximately RMB126,723,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB10,837,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) Major shareholders of the Group have confirmed that they will provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due in the foreseeable future;

(ii) Actively negotiating with lenders to renew loans and borrowings that have fallen due;

(iii) Implementing comprehensive policies to monitor cash flows through cutting costs and capital expenditure; and

(iv) The directors of the Company anticipate that the Group will generate positive cash flows from its operations in the foreseeable future.

Provided that these measures can be successfully implemented by the Group to improve the liquidity of the Group, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. According, the consolidated financial statements have been prepared on a going concern basis. Moreover, the eventual outcome of these measures cannot be estimated with reasonable certainty. Hence there exist a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## 3 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDINGS ("IFRSs")

**New and amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform – Pillar Two model Rules |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |

Except as described below, the application of the new and amendments to IFRSs in the current year has 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 IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3.2 to the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

**New and amendments to IFRSs in issue but not yet effective**

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

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to IAS 21 | Lack of Exchangeability[3] |

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

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.

## 4. REVENUE

**Disaggregation of revenue from contracts with customers**

***Types of goods or services***

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Provision of construction services | | |
| – ethanol production system technology integrated services | | |
| Ethanol fuel industries | **18,562** | 97,890 |
| Alcoholic beverage industries | **20,349** | 17,915 |
| Others | **2,915** | 1,549 |
| **Total** | **41,826** | 117,354 |

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

***Timing of revenue recognition:***

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Over time | **39,868** | 115,541 |
| At a point in time | **1,958** | 1,813 |
| | **41,826** | 117,354 |

## 5 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 services in the ethanol fuel and alcoholic beverage industries. Management reviews the operating results of the business of the Group as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one operating 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.

| | **2023** | 2022 |
|---|---:|---:|
| | ***RMB'000*** | *RMB'000* |
| PRC | **40,930** | 112,141 |
| Myanmar | **249** | 4,908 |
| Russia | **349** | – |
| Indonesia | **126** | 197 |
| Other countries | **172** | 108 |
| **Total** | **41,826** | 117,354 |

As at 31 December 2023 and 2022, 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:

| | 2023 | 2022 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Customer A[2] | **15,432** | N/A |
| Customer B | **4,714** | – |
| Customer C[2] | **4,385** | N/A |
| Customer D[1] | **N/A** | 26,144 |
| Customer E[1] | **N/A** | 13,006 |
| Customer F[1] | **N/A** | 12,082 |
| Customer G[1] | **N/A** | 11,875 |
| | **24,531** | 63,107 |

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2023.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2022.

## 6 OTHER INCOME

| | 2023 | 2022 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Subsidy income *(note (i))* | **1,564** | 5,757 |
| Sundry income | **–** | 3 |
| | **1,564** | 5,760 |

(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.

## 7. OTHER (LOSSES)/GAINS – NET

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| (Bad debts written off)/recovery of bad debts | **(4,270)** | 1,450 |
| Exchange losses, net | **(1,170)** | (773) |
| Impairment loss reversed/(recognised) on intangible assets | **1,390** | (7,024) |
| | **(4,050)** | (6,347) |

## 8 FINANCE INCOME AND COST

| | 2023<br>*RMB'000* | 2022<br>*RMB'000* |
|---|---|---|
| *Finance income* | | |
| Interest income from financial assets held for cash management purposes | **7** | 9 |
| *Finance costs* | | |
| Bank borrowings interest expense | **(1,698)** | (1,579) |
| Lease liabilities interest expense | **(130)** | (88) |
| | **(1,828)** | (1,667) |
| Finance costs – net | **(1,821)** | (1,658) |

## 9 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Staff costs (including directors' remuneration) | | |
| Salaries, wages, bonuses and other benefits | **11,108** | 9,032 |
| Contribution to pension scheme | **1,920** | 1,439 |
| | **13,028** | 10,471 |
| Less: Capitalised in intangible assets | **–** | (2,231) |
| | **13,028** | 8,240 |
| Amounts included in | | |
| – Cost of sales | **3,545** | 1,061 |
| – Selling and marketing expenses | **3,147** | 3,088 |
| – Administrative expenses | **6,336** | 4,091 |
| Costs of engineering services | **9,226** | 17,510 |
| Raw materials and consumables used | **19,970** | 83,596 |
| Depreciation of property, plant and equipment | **4,923** | 4,232 |
| Depreciation of right-of-use assets | **1,212** | 1,153 |
| Amortisation of intangible assets | **1,850** | 2,198 |
| Impairment losses, net of reversal recognised on: | | |
| – Trade and bills receivables | **31,268** | 20,052 |
| – Contract assets | **(1,499)** | (4,230) |
| – Other receivables | **46,262** | 24,977 |
| | **76,031** | 40,799 |
| Amounts included in administrative expenses: | | |
| – Legal and professional fees | **1,570** | 3,995 |
| – Auditor's remuneration | **1,086** | 945 |
| – Research and development costs | **6,427** | 4,834 |

## 10 INCOME TAX (EXPENSE)/CREDIT

| | 2023 | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| PRC Enterprise Income Tax | **–** | – |
| Deferred income tax (expense)/credit | **(16,323)** | 5,764 |
| **Total income tax (expense)/credit** | **(16,323)** | 5,764 |

**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 (2022: 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 2023 and 2022 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 renewed in December 2019 and 2022 with a validity period of three years and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2023 and 2022.

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.

## 11 DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

## 12 LOSS PER SHARE

### (a) Basic loss per share

The computation of the basic loss per share amount are based on the loss for the year attributable to owners of the Company of approximately RMB126,594,000 (2022: RMB50,525,000) and the weighted average number of ordinary shares of 589,758,898 (2022: 589,758,898) during the year.

### (b) Diluted loss per share

For the years ended 31 December 2023 and 2022, the computation of diluted loss per share were the same as the basic loss per share as there were no potential ordinary shares outstanding during the years.

## 13 TRADE AND BILLS RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables – third parties | **104,365** | 113,185 |
| Bill receivables | **3,660** | 2,200 |
| | **108,025** | 115,385 |
| Less: Allowance for credit losses of trade and bills receivables | **(73,632)** | (42,364) |
| Trade and bills receivables – net | **34,393** | 73,021 |

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

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **33,391** | 24,961 |
| One to two years | **1,002** | 7,737 |
| Two to three years | **–** | 40,323 |
| | **34,393** | 73,021 |

As at 31 December 2023 and 2022, trade and bills receivables are denominated in RMB.

As at 31 December 2023, approximately RMB2,120,000 of bill receivables (2022: RMB700,000) was pledged as security for the Group's bank borrowings.

## 14 OTHER RECEIVABLES AND PREPAYMENT

Details of other receivables and prepayments are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts due from related parties *(note (i))* | **16** | 42 |
| Amounts due from directors related to the exercise of the Pre-IPO Share Option Scheme | **416** | 389 |
| Amounts due from employees related to the exercise of the Pre-IPO Share Option Scheme | **1,986** | 1,854 |
| Prepayment for equipment of ethanol fuel construction and alcoholic beverage construction projects *(note (ii))* | **12,331** | 30,856 |
| Deposits receivables, net *(note (iii))* | **494** | 46,842 |
| Others, net | **1,115** | 1,074 |
| | **16,358** | 81,057 |

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

(ii) The amounts represent the prepayment for equipment for use in the ethanol fuel construction and alcoholic beverage construction projects which the Group has contracted with the customers, which will be recognised as cost of sales 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 with accumulated impairment of approximately RMB78,000,000 (2022: RMB78,000,000 with accumulated impairment of approximately RMB31,158,000) which will be returned upon the project completes. Due to the COVID-19 epidemic impacts, the projects were not yet completed as at 31 December 2023. An impairment loss of approximately RMB46,842,000 was recognised during the year ended 31 December 2023 (2022: RMB23,303,000).

## 15 TRADE PAYABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **71,005** | 98,275 |

As at 31 December 2023 and 2022, the ageing analysis of trade payables based on invoice date was as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| less than one year | **9,317** | 23,235 |
| 1-2 years | **15,995** | 54,066 |
| 2-3 years | **28,336** | 8,504 |
| over 3 years | **17,357** | 12,470 |
| | **71,005** | 98,275 |

The Group's trade payables as at 31 December 2023 and 2022 were denominated in RMB.

## 16 OTHER PAYABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| VAT payable | **36,123** | 61,020 |
| Other payables and accruals | **21,876** | 19,554 |
| Wages payables | **3,526** | 4,422 |
| Amounts due to directors *(Note)* | **375** | 250 |
| | **61,900** | 85,246 |

*Note:*

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

Other payables were denominated in:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| – RMB | **58,752** | 82,210 |
| – HKD | **2,841** | 2,946 |
| – GBP | **307** | 90 |
| | **61,900** | 85,246 |

# 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 40 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 is 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, maintenance for alcohol, ethanol fuel, biobutanol, xanthan gum concentration 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 research and development ("**R&D**") centre support, centralised procurement, collaborative production, distribution and on-site production, equipment system integration, installation and commissioning, where each step is assigned with technical engineer service. We have thus created a comprehensive system of design, construction, installation and commissioning and turnkey project to sincerely serve our customers.

In 2023, although the COVID-19 epidemic was over, the global economy recovered slowly. Great changes have taken place in the market where the Company is located, and major changes have taken place in the market demand and the mode of consumption. The production capacity of domestic fuel ethanol and edible alcohol industries has expanded for a few years and has shown a saturated state with little fluctuation. The total production capacity in 2023 was about 13.68 million tons, an increase of about 80,000 tons compared to 2022, with a growth rate of only 0.6%. The economic recovery and development of various industries in China were uneven. The rise in the prices of upstream bulk commodities and raw materials has trimmed the profit of the fuel ethanol industry, thus causing the fuel ethanol industry to face the dilemma of low investment in fixed assets. The intensification of competition within the same industry has increased market uncertainty. Internationally, due to the cumulative influence of geopolitical factors, potential projects in Africa, Southeast Asia, and other foreign countries that we have been communicating with in recent years have made slow progress. The above internal and external factors have to some extent affected the development of the industry and the Company's business.

In response to the complicated and unfavorable internal and external business environment, under the leadership of the Board, the 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.

The main business activities of the Group in the Reporting Year were as follows:

**1) The status of the Company's marketing activities and contracts**

During 2023, the Group has signed sales contracts with a total value of approximately RMB68.58 million. When compared with the Group's total contract value of approximately RMB123.00 million for 2022, the contract sum had decreased by RMB54.42 million or approximately 44.2%. Market and economic conditions in 2022 and 2023 were considerably unfavorable to the Group and the substantial decrease in the value of new contracts has affected the operating income of the Reporting Year.

During the Reporting Year, the Company recorded a total revenue of RMB41.83 million, representing a decrease of RMB75.52 million or approximately 64.4% when compared to approximately RMB117.35 million for the year ended 31 December 2022. The significant drop in the number of new contracts secured not only impacted the revenue for 2023 but also might affect that for 2024.

**2) The status of the Company's projects under construction for the year**

During the Reporting Year, Engineering, Procurement and Construction ("**EPC**") projects in fuel ethanol and edible alcohol industries still represented the major types of businesses for the Company, with mainly facility upgrades rather than new built.

During the Reporting Year, 27 new construction or technical renovation contracts were signed for the amount of RMB52.69 million, accounting for 76.8% of the total contract amount; 8 technical service contracts for the amount of RMB10.15 million, accounting for 14.8% of the total contract amount; 27 equipment purchase and sales contracts for the amount of RMB5.74 million, accounting for 8.4% of the total contract amount.

### 3) The status of the Company's technology R&D

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.

During the Reporting Year, the Company invested RMB8.28 million in R&D and applied for 1 new patent in order to enhance its capacity for patent development and intellectual property rights, so as to further strengthen the Company's core technology competitiveness in the industry.

The Company and its subsidiaries are engaged in research on multiple alcohol and fuel ethanol production facilities and their process methods. In 2023, the Company continued to promote key R&D projects. The Company participated in the R&D of the Key Project of the Ministry of Science and Technology of China, which focused on the targeted depolymerization and efficiency enhancement pre-treatment technology for multi-biomass alcohol raw materials (RD068). In 2024, we will carry out the design work of the experimental device to obtain important technical data and equipment manufacturing experience, which will lay the foundation for our development towards cellulose ethanol. In order to accelerate the Company's progress in the high-value ethanol industry, we will continue to promote the thousand-ton scale test work of the "Biomass Hydrothermal Polycarbonization Synthesis for Automotive and Aviation Fuel" (RD064) project. This will provide the Company with technical reserves to cope with the national carbon peak and carbon neutrality strategy, and participate in the competition of bioenergy and green chemical production technology.

## 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, hydrogen energy production technology, as well as high-carbon ethanol production technology through ethanol intensive processing and related equipment manufacturing, we will be able to increase project income from cellulose ethanol, hydrogen energy industry and high-carbon ethanol equipment manufacturing in the future.

Looking forward, the Company 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. The Company will also proactively explore investment opportunities in related industries and increase production equipment manufacturing and technical service income from other chemicals in order to expand the current revenue portfolio.

**(2) Strengthening technology R&D**

The Company believes that independent innovation is essential for its sustainable development. Since its establishment, the Company has committed substantial resources to R&D for new technologies and processes for energy-saving and environmentally friendly new energy production. As at the end of the Reporting Year, the Company and its subsidiaries have registered a total of 40 valid patents, including 25 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 exchanges and cooperation with customers, universities and research institutes so as to create an organic combination of production, learning and research. Our R&D activities will focus on fuel ethanol technology, super grade alcohol, hydrogen production, green bio-based chemicals and equipment manufacturing technology and related chemical production processes. So long as our technology is ahead of the curve, the self-owned intellectual property will eventually convert into income from businesses of the Group.

## FINANCIAL REVIEW

### Revenue

During the Reporting Year, the Company realized a total operating revenue of RMB41.83 million (2022: RMB117.35 million), a decrease of 64.4% over the year ended 31 December 2022, and a loss attributable to owners of the Company of RMB126.59 million (2022: loss RMB50.53 million), which increased by 150.5% compared to the year ended 31 December 2022. The decrease of revenue was mainly due to lesser contracts secured than the previous year. The total contracted amount shrank by about 44.3% in the Reporting Year as the capital investment in the ethanol industry became less active due to the economic downturn.

### Cost of sales

Cost of sales decreased by approximately RMB55.22 million, or 54.0%, from approximately RMB102.17 million for the year ended 31 December 2022 to approximately RMB46.95 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 RMB20.31 million, or 133.7%, from approximately RMB15.19 million profit for the year ended 31 December 2022 to approximately RMB5.12 million loss for the Reporting Year. The Group's overall gross profit margin decreased from approximately 12.9% for the year ended 31 December 2022 to approximately -12.2% for the Reporting Year. The decrease in gross profit margin was mainly due to the change in the actual cost of some projects.

**Selling and marketing expenses**

The Group's selling and marketing expenses decreased by approximately RMB0.62 million, or 6.6%, from approximately RMB9.38 million for the year ended 31 December 2022 to approximately RMB8.76 million for the Reporting Year, mainly due to the reduction of projects.

**Administrative expenses**

The administrative expenses decreased by approximately RMB2.32 million, or 11.9%, from approximately RMB19.48 million for the year ended 31 December 2022 to approximately RMB17.16 million for the Reporting Year. Such fluctuation was mainly attributable to the decrease in legal and professional fees.

**Net impairment losses under expected credit loss model**

For the year ended 31 December 2023, the Group have engaged an independent valuer to evaluate the expected credit loss of the trade and other receivables and contract assets. Based on current economic conditions, historical collection experience and outlook, the Group was required to make a further impairment loss on the trade and other receivables and contract assets amounting to approximately RMB76.03 million for the Reporting Year which increased approximately RMB35.23 million, or 86.3% compared to RMB40.80 million for the year ended 31 December 2022. The Group has strengthened its collection policies and holds ongoing discussions with the customers about collection and billings and will even take legal action if necessary.

**Other income and other (losses)/gains – net**

The other income and other (losses)/gains – net increased by approximately RMB1.90 million from approximately RMB0.59 million loss for the year ended 31 December 2022 to approximately RMB2.49 million loss for the Reporting Year, mainly attributable to the decrease of subsidy income and the increase of bad debts written off for the year ended 31 December 2023.

**Finance costs – net**

The Group's finance costs – net increased by approximately RMB0.16 million from approximately RMB1.67 million for the year ended 31 December 2022 to approximately RMB1.83 million for the Reporting Year. The finance costs mainly represented interests on bank borrowings.

**Loss attributable to owners of the Company**

As a result of the foregoing, for the Reporting Year, the Group recorded a loss attributable to owners of the Company of approximately RMB126.59 million as compared to a loss of approximately RMB50.53 million for the year ended 31 December 2022, representing an increase of approximately RMB76.06 million or 150.5%, mainly due to the decrease in revenue and gross profit.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, 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 of the Company (the "**Shareholders**"). As at 31 December 2023, the Group had net current liabilities of approximately RMB10.84 million (2022: net current assets of approximately RMB143.13 million) and bank deposits, balances and cash of approximately RMB5.17 million (2022: approximately RMB1.88 million). As at 31 December 2023, the Group's total equity attributable to owners of the Company amounted to approximately RMB69.41 million (2022: approximately RMB196.44 million), and the Group's total debt comprising lease liabilities amounted to approximately RMB257.64 million (2022: approximately RMB287.40 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 3.75 (as at 31 December 2022: approximately 1.47).

## BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2023, the Group's bank borrowings were approximately RMB26.99 million (31 December 2022: RMB28.48 million), of which RMB19.96 million will be repayable within 1 year. Such loans were all denominated in RMB. The weighted average effective interest rates as at 31 December 2023 and 2022 were 4.04% and 4.83% respectively. There is no seasonal requirement for borrowings. As at 31 December 2023, certain bill receivables and 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 operations in China, the major revenues 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 any 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.

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

On 31 August 2023, 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)(“**Zhongke Tianyuan**”), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company, entered into the subscription agreement (“**Subscription Agreement**”) with (i) Mr. Lin Yongmin (“**Mr. Lin**”) and (ii) Heilongjiang Zhongke Green Biotechnology Co., Ltd.*(黑龍江中科格林生物科技有限公司)(“**Zhongke Green**”), a company established under the laws of the PRC with its entire equity interest held by Mr. Lin and Ms. Xia Xiaohong as to approximately 99% and 1%, pursuant to which, among others, each of Mr. Lin and Zhongke Tianyuan shall subscribe 25.38% and 40.77% of the entire equity interest of Zhongke Green immediately prior to the Subscription Agreement (“**Subscriptions**”) by injecting RMB43,000,000 (equivalent to approximately HK$46,974,000) and RMB53,000,000 (equivalent to approximately HK$57,898,000) respectively. In addition, Mr. Lin shall purchase the entire equity interest held by an existing equity interest holder, Ms. Xia Xiaohong in Zhongke Green, amounting to 1% of the entire equity interest in Zhongke Green. Immediately following the Subscriptions and the said acquisition, Zhongke Tianyuan and Mr. Lin shall hold approximately 24.54% and 75.46% of the entire equity interest of Zhongke Green.

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

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

Pursuant to the Subscription Agreement, Zhongke Tianyuan shall settle the subscription price of RMB53,000,000 (equivalent to approximately HK$57,898,000) to Zhongke Green by offsetting the account receivable due from Zhongke Green as a result of a construction project previously engaged by Zhongke Green, and the settlement of the subscription price has been completed upon completion of the subscription of equity interest by Zhongke Tianyuan for 40.77% of the entire equity interest of Zhongke Green immediately prior to the Subscriptions pursuant to the Subscription Agreement (“**Transaction**”).

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

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Mr. Lin and Zhongke Green is a third party independent of the Company and its connected persons.

The main business of Zhongke Green is engaged in the production and sales of edible alcohol and high protein feed, located in the corn raw material production area of the Northeast plain of the PRC, with a superior geographical location.

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

For more details about the Transaction, please refer to the announcements of the Company dated 26 November 2023 and 22 March 2024.

Save as disclosed in this announcement, during the Reporting Year, the Group did not have other significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures, neither the Group did have other plans for material investments or acquisition of capital assets as at 31 December 2023.

## 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 installment 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 2023 (2022: Nil).

## COMMITMENTS

As at 31 December 2023, the Group did not have any material capital commitments (2022: Nil).

## SEGMENT INFORMATION

Segment information for the Group is disclosed in note 5 to the consolidated financial statements of this announcement.

## INFORMATION ON EMPLOYEES

As at 31 December 2023, the Group had 85 employees (2022: 94 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 paths 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 qualifications, position and performance.

## FINAL DIVIDEND

The Board does not recommend the distribution of any final dividend for the year ended 31 December 2023 (2022: Nil).

## EVENTS AFTER THE REPORTING DATE

As from 31 December 2023 to the date of this announcement, no significant events have occurred.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance. The Board believes that good and effective corporate governance practices are the key to safeguarding the interests of the Shareholders and sustaining the success of the Group to create long-term value for the Shareholders.

In the opinion of the Directors, the Company complied with all code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2023, except for the deviation as disclosed below.

Code provision C.5.3 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 2023, two regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and make expeditious decisions 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 do its endeavours to meet the requirement of this code provision in future.

## 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 C3 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 complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

## 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 2023.

## REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company, which comprises three independent non-executive Directors, namely Ms. Wong Mei Ling (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 2023 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 Reporting 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 INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2023. The report includes paragraphs of an emphasis of matter, without qualification.

**"Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Material Uncertainty Related to Going Concern**

We draw attention to note 3 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately RMB126,723,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB10,837,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

## 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 2023 will be dispatched to the Shareholders and will be made available on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
**China New Energy Limited**
**Yu Weijun**
*Chairman*

Hong Kong, 28 March 2024

*As at the date of this announcement, the Board comprises two executive directors, namely Mr. Yu Weijun (Chairman) and Mr. Tang Zhaoxing (Chief Executive Officer); and three independent non-executive directors, namely Mr. Richard Antony Bennett, Mr. Chan Shing Fat Heron and Ms. Wong Mei Ling.*

* *For identification purpose only*