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 2022

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 2022 ("**Reporting Year**"), together with the comparative figures for the corresponding period in 2021 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**117,354**	386,831
Cost of sales		**(102,167)**	(341,509)
Gross profit		**15,187**	45,322
Selling and marketing expenses		**(9,383)**	(6,021)
Administrative expenses		**(19,481)**	(22,252)
Impairment losses under expected credit loss model, net of reversal	9	**(40,799)**	(24,411)
Other income	6	**5,760**	14,281
Other (losses)/gains – net	7	**(6,347)**	4,041
Operating (loss)/profit		**(55,063)**	10,960
Finance income	8	**9**	11
Finance costs	8	**(1,667)**	(2,007)
Finance costs – net		**(1,658)**	(1,996)
(Loss)/profit before income tax	9	**(56,721)**	8,964
Income tax credit/(expense)	10	**5,764**	(1,169)
(Loss)/profit for the year		**(50,957)**	7,795
(Loss)/profit attributable to:			
– Owners of the Company		**(50,525)**	8,421
– Non-controlling interest		**(432)**	(626)
		(50,957)	7,795
(Loss)/earning per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic (loss)/earning per share	12	**(0.086)**	0.014
Diluted (loss)/earning per share	12	**(0.086)**	0.014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(50,957)**	7,795
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	**(1,668)**	(324)
Items that may be reclassified to profit or loss		
– Exchange differences on translation of foreign operations	**(1,225)**	(847)
Other comprehensive loss for the year, net of tax	**(2,893)**	(1,171)
Total comprehensive (loss)/income for the year	**(53,850)**	6,624
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	**(53,418)**	7,250
– Non-controlling interests	**(432)**	(626)
	(53,850)	6,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**12,311**	17,467
Intangible assets		**20,470**	27,461
Right-of-use assets		**2,866**	4,019
Financial assets at fair value through other comprehensive income		**2,502**	4,463
Deferred tax assets		**15,894**	9,836
		54,043	63,246
Current assets			
Inventories		**9,348**	7,134
Trade and bills receivables	*13*	**73,021**	90,393
Other receivables and prepayments	*14*	**81,057**	104,216
Contract assets		**263,872**	264,864
Bank balances and cash		**1,879**	6,904
		429,177	473,511
Current liabilities			
Trade payables	*15*	**98,275**	106,911
Other payables	*16*	**85,246**	76,014
Contract liabilities		**25,145**	21,823
Bank borrowings		**27,132**	24,363
Lease liabilities		**718**	1,186
Tax payable		**49,529**	48,539
		286,045	278,836
Net current assets		**143,132**	194,675
Total assets less current liabilities		**197,175**	257,921

	Notes	**2022**	2021
	Notes	***RMB'000***	*RMB'000*
Non-current liabilities			
Bank borrowings		**1,350**	7,500
Lease liabilities		**–**	746
		1,350	8,246
Net assets		**195,825**	249,675
Capital and reserves			
Share capital		**1,762**	1,762
Reserves		**194,680**	248,098
Equity attributable to owners of the Company		**196,442**	249,860
Non-controlling interests		**(617)**	(185)
Total equity		**195,825**	249,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDINGS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Impacts on application of Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

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

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

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

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

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1 January 2022.

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

Impacts on application of Amendments to IFRSs Annual Improvements to IFRSs 2018-2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

IFRS 9 Financial Instruments

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

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

IFRS 16 Leases

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

The application of the amendments in the current year has had no impact on the Group's 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:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

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

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of IFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to determine “lease payments” or “revised lease payments” such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

As part of the amendments, Illustrative Example 25 accompanying IFRS 16 is added to illustrate the application of the requirements in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

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

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

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

Amendments to IAS 8 Definition of Accounting Estimates

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

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

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

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

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

The Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB2,866,000 and RMB718,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

Types of goods or services

	2022	2021
	RMB'000	*RMB'000*
Provision of construction services		
– ethanol production system technology integrated services		
Ethanol fuel industries	**97,890**	277,905
Alcoholic beverage industries	**17,915**	105,009
Others	**1,549**	3,917
Total	**117,354**	386,831

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

Timing of revenue recognition:

	2022	2021
	RMB'000	*RMB'000*
Over time	**115,541**	386,094
At a point in time	**1,813**	737
	117,354	386,831

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

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

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.

	2022	2021
	RMB'000	*RMB'000*
PRC	**112,141**	383,962
Myanmar	**4,908**	1,972
Russia	**–**	635
Indonesia	**197**	262
Other countries	**108**	–
Total	**117,354**	386,831

As at 31 December 2022 and 2021, 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:

	2022	2021
	RMB'000	*RMB'000*
Customer A[1, 2]	**N/A**	198,754
Customer B[1, 3]	**26,144**	N/A
Customer C[2]	**N/A**	70,111
Customer D[2]	**N/A**	63,547
Customer E[3]	**13,006**	N/A
Customer F[3]	**12,082**	N/A
Customer G[3]	**11,875**	N/A
	63,107	332,412

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

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

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

6 OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Subsidy income *(note (i))*	**5,757**	3,517
Sundry income	**3**	–
Refund of legal and professional fees *(note (ii))*	**–**	10,764
	5,760	14,281

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

(ii) The Group recognised legal and professional fees of approximately RMB18,603,000 during the year ended 31 December 2020. During the year ended 31 December 2021, part of the legal and professional fees of approximately RMB10,764,000 were refunded and recognised as other income of the Group.

7. OTHER (LOSSES)/GAINS – NET

	2022	2021
	RMB'000	*RMB'000*
Recovery of bad debts	**1,450**	2,687
Exchange (losses)/gains, net	**(773)**	1,407
Impairment loss on intangible assets	**(7,024)**	–
Loss on disposal of property, plant and equipment	**–**	(56)
Others	**–**	3
	(6,347)	4,041

8 FINANCE INCOME AND COST

	2022	2021
	RMB'000	*RMB'000*
Finance income		
Interest income from financial assets held for cash management purposes	**9**	11
Finance costs		
Bank borrowings interest expense	**(1,579)**	(1,842)
Lease liabilities interest expense	**(88)**	(165)
	(1,667)	(2,007)
Finance costs – net	**(1,658)**	(1,996)

9 (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging the following:

	2022	2021
	RMB'000	*RMB'000*
Staff costs (including directors' remuneration)		
Salaries, wages, bonuses and other benefits	**9,032**	16,549
Contribution to pension scheme	**1,439**	1,654
	10,471	18,203
Less: Capitalised in intangible assets	**(2,251)**	(2,053)
	8,220	16,150
Amounts included in		
– Cost of sales	**1,041**	3,190
– Selling and marketing expenses	**3,088**	5,569
– Administrative expenses	**4,091**	7,391
Costs of engineering services	**18,120**	49,283
Raw materials and consumables used	**83,596**	281,628
Depreciation of property, plant and equipment	**4,232**	4,421
Depreciation of right-of-use assets	**1,153**	1,131
Amortisation of intangible assets	**2,198**	1,357
Impairment losses, net of reversal recognised on:		
– Trade and bills receivables	**20,052**	6,818
– Contract assets	**(4,230)**	15,868
– Other receivables	**24,977**	1,725
	40,799	24,411
Amounts included in administrative expenses:		
Legal and professional fees	**3,995**	5,782
Auditor's remuneration	**945**	808
Research and development costs	**4,834**	5,838

10 INCOME TAX (CREDIT)/EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**–**	4,468
Deferred income tax credit	**(5,764)**	(3,299)
Total income tax (credit)/expenses	**(5,764)**	1,169

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 (2021: 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 2022 and 2021 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 2022 and 2021.

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 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

12 (LOSS)/EARNING PER SHARE

(a) Basic (loss)/earning per share

The computation of the basic (loss)/earning per share amount are based on the loss for the year attributable to owners of the Company of approximately RMB50,525,000 (2021: profit of RMB8,421,000) and the weighted average number of ordinary shares of 589,758,898 (2021: 589,758,898) during the year.

(b) Diluted (loss)/earning per share

For the years ended 31 December 2022 and 2021, the computation of diluted (loss)/earning per share were the same as the basic (loss)/earning per share as there were no potential ordinary shares outstanding during the years.

13 TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade and bills receivables		
– third parties	**115,385**	112,705
Less: Allowance for credit losses of trade and bills receivables	**(42,364)**	(22,312)
Trade and bills receivables – net	**73,021**	90,393

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

	2022	2021
	RMB'000	*RMB'000*
Within one year	**24,961**	55,594
One to two years	**7,737**	33,877
Two to three years	**40,323**	922
	73,021	90,393

As at 31 December 2022 and 2021, trade and bills receivables are denominated in RMB.

As at 31 December 2022, RMB700,000 of bill receivables (2021: nil) was pledged as security for the Group's bank borrowings.

14 OTHER RECEIVABLES AND PREPAYMENTS

Details of other receivables and prepayments are as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts due from related parties *(note (i))*	**42**	279
Amounts due from directors related to the exercise of the Pre-IPO Share Option Scheme	**389**	399
Amounts due from employees related to the exercise of the Pre-IPO Share Option Scheme	**1,854**	1,904
Prepayment for equipment of ethanol fuel construction and alcoholic beverage construction projects *(note (ii))*	**30,856**	28,510
Deposits receivables, net *(note (iii))*	**46,842**	70,550
Others, net	**1,074**	2,574
	81,057	104,216

(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 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 (2021: RMB78,000,000) which will be returned upon the project completes and to Xin Jiang Botai Energy Co., Ltd of RMB1,000,000 (2021: RMB1,000,000) which will be returned upon the project initiates. Due to the COVID-19 epidemic impacts, the project is not yet initiated as at 31 December 2021. An impairment loss of approximately RMB32,158,000 was recognised during the year ended 31 December 2022 (2021: RMB1,363,000).

15 TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**98,275**	106,911

As at 31 December 2022 and 2021, the ageing analysis of trade payables based on invoice date was as follows:

	2022	2021
	RMB'000	*RMB'000*
less than one year	**23,235**	84,939
1-2 years	**54,066**	9,471
2-3 years	**8,504**	7,751
over 3 years	**12,470**	4,750
	98,275	106,911

The Group's trade payables as at 31 December 2022 and 2021 were denominated in RMB.

16 OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
VAT payable	**61,020**	53,594
Other payables and accruals	**19,554**	18,654
Wages payables	**4,422**	3,384
Amounts due to directors *(Note)*	**250**	382
	85,246	76,014

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

In 2022, China's fixed asset investment grew by 5.1% year-over-year, with infrastructure investment as the major investment. In 2022, given the downstream consumption of ethanol declined, the industry still needs to seek new demand growth points. Profits from ethanol remained at low level in light of oversupply, resulting in the situation of accelerated capacity integration. For the fuel ethanol and edible alcohol production industries where the Company operates, the willingness to invest in fixed assets was not strong. Faced with the ongoing spread of the COVID-19, strict prevention and control policies at the early stage as well as uncertain economic recovery, we barely made any progress in our overseas projects under negotiation in recent years due to mounting external instability and uncertainty, while domestic production and economic activities have also been severely challenged. As for the domestic fuel ethanol and edible alcohol industries where the Company operates, demand has been saturated following expansion of production capacities in recent years. According to the statistics from Sublime China Information, in 2022, the production capacity of edible and industrial alcohol industries in China reached 13.597 million tons, representing a decrease of 757,000 tons as compared to that in 2021, which is the second consecutive year recording decline in production capacity, with major economic indicators going weak. In response to the complicated and unfavorable internal and external business environment, under the leadership of the Board, management team of the Company has tried every means to overcome difficulties and control the decline of the Company's business performance by focusing on the annual business objectives and tasks.

During the Reporting Year, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") has been suspended since 1 April 2021 due to the delay in publication of the 2020 Final Results in March 2021. Having worked for 18 months to effectively fulfill the resumption guidance issued by the Stock Exchange, the Company has completed all reports of delayed publication and fulfilled the requirements in accordance with the resumption guidance issued by the Stock Exchange by October 2022. Trading in the shares of the Company has been resumed on 12 October 2022.

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

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

During the Reporting Year, while the COVID-19 pandemic was still raging around the world, some potential overseas projects of the Company have almost ground to a halt. Marketing team of the Company could only shift its focus to the domestic market, the environment of which was not that optimistic. The Company has struggled to obtain a sufficient business volume due to the saturation in the ethanol industry's production capacity and the lack of new investment projects. In addition, as the business activities are affected by the prevention and control measures of the COVID-19 pandemic in some areas from time to time, and the market activities are not carried out smoothly, and most of our marketing activities had to be conducted online rather than face-to-face, the effectiveness and success rates have been significantly impaired, resulting in lower business volumes as compared to previous years.

During 2022, the Group has signed sales contracts with a total value of approximately RMB123 million. When compared with the Group's total contract value of approximately RMB201 million for 2021, the contract sum had decreased by RMB78 million or approximately 39%. Market and economic conditions between 2021 and 2022 were considerably more unfavorable to the Group and the substantial decrease in the amount of new contracts has affected the operating income of the current year.

During the Reporting Year, the Company recorded a total operating income of RMB117.35 million, representing a decrease of RMB269.48 million or approximately 69.66% when compared to approximately RMB386.83 million for the year ended 31 December 2021. The significant drop in the number of new contracts secured did not only impact the operating income this year but also might affect that for the coming years.

2) **The status of 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 main types of businesses for the Company, with facility upgrades rather than completely new built as the majority. Revenue from the five highest value projects accounted for about 60% of the total revenue for the year, having generated total revenue of approximately RMB73.78 million. The remaining 40% of revenue was attributable to certain equipment renovation and upgrading projects provided to some small and medium-sized fuel ethanol or edible alcohol producers in addition to direct sales of small equipment and components. The five highest value projects are outlined below. The highest value project was our provision of a complete set of equipment for an annual output of 300,000 tons of fuel ethanol with corn biomass as feedstock for a regular customer in Heilongjiang Province. It contributed approximately RMB26.1 million of revenue. The second highest value project was our provision of technical upgrades for a regular customer in Heilongjiang Province, for a project producing an annual output of 300,000 tons of fuel ethanol and plain alcohol co-production with corn biomass as feedstock, contributing approximately RMB13 million of revenue. The third highest value project was our provision of a set of new xanthan gum extraction alcohol distillation equipment for a regular customer in Heilongjiang Province, which contributed approximately RMB12.1 million of revenue. The fourth highest value project was for a new absolute ethanol plant project with an annual output of 100,000 tons provided to a regular customer in Jilin Province, contributing approximately RMB11.9 million of revenue. The fifth highest value project was our provision of a complete set of equipment for an annual output of 300,000 tons of fuel ethanol with corn as feedstock for a regular customer in Heilongjiang Province, contributing approximately RMB10.8 million of revenue.

3) Technology research and development

During the Reporting Year, the Company continued to increase R&D investment and adhered to the innovation-oriented business philosophy. It helped maintain the Company's competitiveness in ethanol production technology and create a sound technical foundation for the Company's market development. During the Reporting Year, the Company invested RMB4.8 million in research and development 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 multiple research projects in edible alcohol and fuel ethanol production plant and its process methods, among which, there are two key research and development projects. One of them is a major project of the Ministry of Science and Technology concerning the vehicle and jet fuel synthesized by hydrothermal depolymerization and carburizing of biomass (RD064). In 2022, the manufacture of pilot plant was basically completed, and it is expected that all trials will be finished in this year. In turn, we will obtain important technical data and equipment manufacturing experience, laying a solid foundation for us to achieve vertical and in-depth development of ethanol intensive processing industry chain. Another one is a major science and technology project (RD061) in Guangdong Province, which is carried out by our project team in close collaboration with a project team organised by various universities. The design and manufacture for the equipment have been finished. Currently, the construction of plant is carried out according to the processing plan, and the entire trial is expected to be completed within this year. This will help the Company to prepare for meeting the technological requirements of national carbon peak and carbon neutrality strategy for bioenergy and green chemical production.

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 shall 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 mix.

(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 currently have registered a total of 37 valid patents, including 23 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 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 realised a total operating revenue of RMB117.4 million (2021: RMB386.8 million), a decrease of 69.6% over the year ended 31 December 2021, and a loss attributable to owners of the Company of RMB50.5 million (2021: profit RMB8.4 million), which decreased by 700.0% compared to the year ended 31 December 2021. The decrease of revenue was mainly due to lesser contracts secured than previous years. The total contracted amount shrunk about 39% in the Reporting Year as affected by the inactive investment expenditure of ethanol industry during the COVID-19 outbreak period.

Cost of sales

Cost of sales decreased by approximately RMB239.3 million, or 70.1%, from approximately RMB341.5 million for the year ended 31 December 2021 to approximately RMB102.2 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 RMB30.1 million, or 66.5%, from approximately RMB45.3 million for the year ended 31 December 2021 to approximately RMB15.2 million for the Reporting Year. The Group's overall gross profit margin increased from approximately 11.7% for the year ended 31 December 2021 to approximately 13% for the Reporting Year. The slight increase in gross profit margin represented normal fluctuations.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately RMB3.4 million, or 55.8%, from approximately RMB6.0 million for the year ended 31 December 2021 to approximately RMB9.4 million for the Reporting Year, mainly due to the increase in maintenance expenses for projects.

Administrative expenses

The administrative expenses decreased by approximately RMB2.8 million, or 12.5%, from approximately RMB22.3 million for the year ended 31 December 2021 to approximately RMB19.5 million for the Reporting Year. Such fluctuation was mainly attributable to the decrease in R&D expenditures.

Net impairment losses under expected credit loss model

The Group's net impairment losses under expected credit loss model increased by approximately RMB16.4 million, or 67.1%, from RMB24.4 million for the year ended 31 December 2021 to approximately RMB40.8 million for the Reporting Year, mainly due to the increase of the expected credit loss resulting from the uncertainty of the economic development. The Company engaged a third party valuer who independently valued the trade receivables and contract assets as a reference for the impairment.

Other income and other (losses)/gains – net

The other income and other (losses)/gains – net decreased by approximately RMB18.9 million from approximately RMB18.3 million gain for the year ended 31 December 2021 to approximately RMB0.6 million loss for the Reporting Year, mainly attributable to some contracts of the Concerned Transactions (as defined on pages 39 and 82 of the 2021 annual report) being cancelled in 2021, as a result of which an approximately RMB10.7 million was refunded and recognised as other income of the Group in 2021, while such matter was absent in 2022.

Finance costs – net

The Group's finance costs – net decreased by approximately RMB0.3 million from approximately RMB2.0 million for the year ended 31 December 2021 to approximately RMB1.7 million for the Reporting Year. The finance costs mainly represented interests on bank borrowings. In 2022, the discount on bills of exchange decreased and interest rates dropped.

(Loss)/profit 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 RMB50.5 million as compared to a profit of approximately RMB8.4 million for the year ended 31 December 2021, representing a decrease of approximately RMB58.9 million or 700%, mainly due to the decrease in revenue and gross profit.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, 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 2022, the Group had net current assets of approximately RMB143.1 million (2021: approximately RMB194.7 million) and bank deposits, balances and cash of approximately RMB1.9 million (2021: approximately RMB6.9 million).

As at 31 December 2022, the Group's total equity attributable to owners of the Company amounted to approximately RMB196.4 million (2021: approximately RMB249.9 million), and the Group's total debt comprising lease liabilities amounted to approximately RMB287.4 million (2021: approximately RMB287.1 million). The Directors have confirmed that the Group will have sufficient financial resources to meet its obligations as they fall due in the foreseeable future.

The Group expresses its gearing ratio as a percentage of total debts divided by total equity. The Group's gearing ratio was approximately 1.47 (as at 31 December 2021: approximately 1.15).

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2022, the Group's borrowings were approximately RMB28.5 million (31 December 2021: RMB31.9 million), of which RMB27.1 million will be repayable within 1 year. Such loans were all denominated in RMB. The weighted average effective interest rates as at 31 December 2022 and 2021 are 4.83% and 4.62% respectively. There is no seasonal requirement for borrowings.

As at 31 December 2022, the right-of-use land and buildings of the Company's subsidiaries have been pledged to the bank as security for banking facilities granted to the Group. The pledged land and properties will be released upon the settlement of relevant loans.

FOREIGN EXCHANGE EXPOSURE

For the Group's operation in China, the major revenue and expenses are denominated in RMB. Since there are certain monetary assets and monetary liabilities that are denominated in Hong Kong dollars, the Group would be exposed to foreign exchange risk.

The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

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

During the Reporting Year, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures. Save as disclosed in this announcement, the Group did not have other plans for material investments or acquisition of capital assets as at 31 December 2022.

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 2022 (2021: Nil).

COMMITMENTS

As at 31 December 2022, the Group did not have any material capital commitments (2021: 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 2022, the Group had 94 employees (2021: 101 employees). The decrease in the number of employees was mainly attributable to the staff turnover in the project management and support department in the PRC.

The Group believes that on-going and continuous development of its employees is critical to its success. The Group provides its employees with tailored training programmes that are designed to upgrade their skills and knowledge and to prepare them for the next step in their career path within the Group. The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws of China. The remuneration offered to employees generally includes salaries and bonuses. In general, the Group determines salaries of its employees based on each employee's qualification, position and performance.

FINAL DIVIDEND

The Board does not recommend the distribution of any final dividend for the year ended 31 December 2022 (2021: Nil).

EVENTS AFTER THE REPORTING DATE

As from 31 December 2022 to the date of this announcement, no significant events have occurred.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, the Company has complied with all code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2022.

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 2022.

REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the year ended 31 December 2022 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 2022 as set out in this announcement have been agreed by the Group's auditor, KTC Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KTC Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited on this announcement.

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 2022 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, 31 March 2023

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