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China New Energy Limited

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of China New Energy Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2024 together with comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in RMB Yuan thousands unless otherwise stated)

| | | Unaudited | |
|--|--------------|---------------------------------|-----------------|
| | <i>Notes</i> | Six months ended 30 June | |
| | | 2024 | 2023 |
| Revenue | 5 | 36,584 | 32,124 |
| Cost of sales | | <u>(31,315)</u> | <u>(30,101)</u> |
| Gross profit | | 5,269 | 2,023 |
| Selling and marketing expenses | | (2,215) | (2,291) |
| Administrative expenses | | (8,677) | (13,818) |
| Net reversal of impairment losses/(net impairment losses) under expected credit loss model | | 1,829 | (194) |
| Other income | | 735 | – |
| Other gains / (losses) – net | | 481 | (1,181) |
| Share of result of an associate | | <u>994</u> | <u>–</u> |
| Operating loss | | <u>(1,584)</u> | <u>(15,461)</u> |
| Finance costs | | <u>(958)</u> | <u>(805)</u> |
| Loss before income tax | | (2,542) | (16,266) |
| Income tax credit | 6 | <u>–</u> | <u>1</u> |
| Loss for the period | | <u>(2,542)</u> | <u>(16,265)</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(All amounts in RMB Yuan thousands unless otherwise stated)

| | | Unaudited | |
|--|--------------|---------------------------------|------------------------|
| | | Six months ended 30 June | |
| | <i>Notes</i> | 2024 | 2023 |
| Loss for the period | | (2,542) | (16,265) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| – Exchange differences on translation of foreign operations | | <u>1,013</u> | <u>909</u> |
| Total comprehensive loss for the period | | <u>(1,529)</u> | <u>(15,356)</u> |
| (Loss)/profit for the period attributable to: | | | |
| – Owners of the Company | | <u>(2,760)</u> | <u>(16,216)</u> |
| – Non-controlling interest | | <u>218</u> | <u>(49)</u> |
| | | <u>(2,542)</u> | <u>(16,265)</u> |
| Total comprehensive (loss)/income for the period attributable to: | | | |
| – Owners of the Company | | <u>(1,747)</u> | <u>(15,307)</u> |
| – Non-controlling interest | | <u>218</u> | <u>(49)</u> |
| | | <u>(1,529)</u> | <u>(15,356)</u> |
| Loss per share for loss attributable to owners of the Company (expressed in RMB per share) | | | |
| Basic loss per share | 7 | <u>(0.005)</u> | <u>(0.027)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB Yuan thousands unless otherwise stated)

| | | As at 30 June 2024 | As at 31 December 2023 |
|--|--------------|--------------------------|------------------------------|
| | <i>Notes</i> | Unaudited | Audited |
| Non-current assets | | | |
| Property, plant and equipment | | 11,415 | 11,691 |
| Intangible assets | | 17,317 | 17,844 |
| Right-of-use assets | | 6,931 | 7,553 |
| Interests in an associate | | 54,975 | 53,981 |
| Financial assets at fair value through other comprehensive income | | – | – |
| Deferred tax assets | | 750 | 750 |
| | | 91,388 | 91,819 |
| Current assets | | | |
| Inventories | | 10,791 | 11,822 |
| Trade and bills receivables | 9 | 28,721 | 34,393 |
| Other receivables and prepayments | | 19,023 | 16,358 |
| Contract assets | 5 | 156,794 | 166,834 |
| Bank balances and cash | | 6,394 | 5,174 |
| | | 221,723 | 234,581 |
| Current liabilities | | | |
| Trade payables | 10 | 62,961 | 71,005 |
| Other payables | 10 | 55,721 | 61,900 |
| Contract liabilities | 5 | 41,990 | 42,471 |
| Bank borrowings | | 21,909 | 19,960 |
| Lease liabilities | | 1,098 | 1,057 |
| Tax payable | | 49,481 | 49,025 |
| | | 233,160 | 245,418 |
| Net current liabilities | | (11,437) | (10,837) |
| Total assets less current liabilities | | 79,951 | 80,982 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB Yuan thousands unless otherwise stated)

| | <i>Notes</i> | As at 30 June 2024 Unaudited | As at 31 December 2023 Audited |
|---|--------------|--|---|
| Non-current liabilities | | | |
| Bank borrowings | | 8,081 | 7,028 |
| Deferred tax liabilities | | 804 | 804 |
| Lease liabilities | | 3,832 | 4,387 |
| | | <u>12,717</u> | <u>12,219</u> |
| Net assets | | 67,234 | 68,763 |
| | | <u>67,234</u> | <u>68,763</u> |
| Capital and reserves | | | |
| Share capital | | 1,762 | 1,762 |
| Reserves | | 65,900 | 67,647 |
| | | <u>67,662</u> | <u>69,409</u> |
| Equity attributable to owners of the Company | | 67,662 | 69,409 |
| Non-controlling interests | | (428) | (646) |
| | | <u>67,234</u> | <u>68,763</u> |
| Total equity | | 67,234 | 68,763 |
| | | <u>67,234</u> | <u>68,763</u> |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

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**”).

This condensed 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**”)) and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated. The condensed consolidated financial statements were approved for issue by the Board on 30 August 2024.

2. BASIS OF PREPARATION

This condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair values.

Other than additional accounting policies resulting from the application of amendments to 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, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|--------------------------------|---|
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current (the “2020 Amendments”) |
| Amendments to IAS 1 | Non-current Liabilities with Covenants (the “2022 Amendments”) |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements |

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

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

As at 31 December 2023 and 30 June 2024, all of the non-current assets were located in the PRC.

5. REVENUE/CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Revenue

| | Unaudited | |
|--|---------------------------------|-------------|
| | Six months ended 30 June | |
| | 2024 | 2023 |
| Provision of construction services | | |
| – Ethanol production system technology integrated services | | |
| – Ethanol fuel industries | 24,825 | 23,911 |
| – Alcoholic beverage industries | 9,638 | 3,080 |
| – Others | 2,121 | 5,133 |
| | <hr/> | <hr/> |
| Total | 36,584 | 32,124 |
| | <hr/> <hr/> | <hr/> <hr/> |
| – Recognised over time | 34,463 | 26,991 |
| – Recognised at a point in time | 2,121 | 5,133 |
| | <hr/> | <hr/> |
| | 36,584 | 32,124 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

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

| | Unaudited | |
|-----------------|---------------------------------|-------------|
| | Six months ended 30 June | |
| | 2024 | 2023 |
| PRC | 35,812 | 30,343 |
| Other countries | 772 | 1,781 |
| | <hr/> | <hr/> |
| Total | 36,584 | 32,124 |
| | <hr/> <hr/> | <hr/> <hr/> |

(b) Assets and liabilities related to contracts with customers

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

| | As at 30 June 2024 Unaudited | As at 31 December 2023 Audited |
|---|---|---|
| Contract assets relating to construction contracts | 176,860 | 186,900 |
| Loss allowance | <u>(20,066)</u> | <u>(20,066)</u> |
| Total contract assets | <u>156,794</u> | <u>166,834</u> |
| Contract liabilities relating to construction contracts | <u>41,990</u> | <u>42,471</u> |

6. INCOME TAX CREDIT

| | Unaudited Six months ended 30 June | |
|--------------------|---|-----------------|
| | 2024 | 2023 |
| Current income tax | <u>—</u> | <u>1</u> |
| Income tax credit | <u>—</u> | <u>1</u> |

(a) 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 (2023: Nil).

(b) PRC enterprise income tax

The enterprise income tax rate applicable to the group entities located in mainland China is 25% according to the Enterprise Income Tax Law of the People’s Republic of China (the “**EIT Law**”) effective on 1 January 2008 except Guangdong Zhongke Tianyuan New Energy Science and Technology Co. Ltd., which is the major subsidiary of the Group, was qualified as “High and New Technology Enterprise” in 2022 and was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the period ended 30 June 2024 and 2023.

(c) Overseas income tax

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

7. LOSS PER SHARE

Basic loss per share

| | Unaudited | |
|---|---------------------------------|-------------|
| | Six months ended 30 June | |
| | 2024 | 2023 |
| Loss attributable to owners of the Company | (2,760) | (16,216) |
| Weighted average number of ordinary shares in issue (thousand shares) | 589,759 | 589,759 |
| Basic loss per share (expressed in RMB per share) | (0.005) | (0.027) |

No diluted loss per share are presented as there were no potential ordinary shares in issue for both periods.

8. DIVIDENDS

No dividends have been declared or paid by the Company during the period ended 30 June 2023 and 2024.

9. TRADE AND BILLS RECEIVABLES

| | As at 30 June 2024 Unaudited | As at 31 December 2023 Audited |
|--|---|---|
| Trade and bills receivables – third parties | 100,524 | 108,025 |
| Less: allowance for impairment of trade and bills receivables | <u>(71,803)</u> | <u>(73,632)</u> |
| Trade and bills receivables – net | <u>28,721</u> | <u>34,393</u> |

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

| | As at 30 June 2024 Unaudited | As at 31 December 2023 Audited |
|--------------------|---|---|
| Within one year | 25,269 | 33,391 |
| One to two years | 3,445 | 1,002 |
| Two to three years | <u>7</u> | <u>-</u> |
| | <u>28,721</u> | <u>34,393</u> |

As at 31 December 2023 and 30 June 2024, trade receivables were denominated in RMB.

10. TRADE AND OTHER PAYABLES

| | As at 30 June 2024 Unaudited | As at 31 December 2023 Audited |
|-------------------------------------|---|---|
| Trade payables (Note (a)) | 62,961 | 71,005 |
| Other payables and accruals | 23,569 | 21,876 |
| Amounts due to directors (Note (b)) | 450 | 375 |
| Wages payables | 4,103 | 3,526 |
| VAT payables | 27,599 | 36,123 |
| | 118,682 | 132,905 |

(a) As at 31 December 2023 and 30 June 2024, the ageing analysis of trade payables based on invoice date was as follows:

| | As at 30 June 2024 Unaudited | As at 31 December 2023 Audited |
|--------------------|---|---|
| Within one year | 27,397 | 9,317 |
| One to two years | 4,656 | 15,995 |
| Two to three years | 7,898 | 28,336 |
| Over three years | 23,010 | 17,357 |
| | 62,961 | 71,005 |

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following is the management discussion and analysis of the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 (“**1H2024**”), together with the comparative unaudited figures for the six months ended 30 June 2023 (“**1H2023**”) and certain comparative figures as at the last audited financial year ended 31 December 2023. All amounts set out in this announcement are presented in Renminbi (“**RMB**”) unless otherwise indicated.

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 of alcohol, ethanol fuel, biobutanol, recycling of waste alcohol after extracting xanthan gum 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. Based on our business process and operation system, we have established a business model led by marketing services and supported by the technical research and development (“**R&D**”) centre, centralised procurement, collaborative production, distribution and on-site production, equipment system integration, installation and commissioning, where each step is assigned technical engineer service. We have thus created a comprehensive system of design, construction, installation and commissioning and turnkey project to sincerely serve our customers.

The development of the domestic and international economic situations in the first half of 2024 was complex and volatile, and remained a period of increasing uncertainty with both strategic opportunities and risks and challenges. The domestic fuel ethanol and edible alcohol industries, in which the Company operates, experienced an increase in supply greater than the increase in demand resulting in a decrease in prices. Competition among suppliers has intensified. Under the influence of production losses for most of the time at this stage, enterprises are very cautious about pursuing market share expansion, and are no longer expanding production capacity or constructing new plants; however, due to the current supply and demand situation, the inspection and maintenance of ethanol installation have been brought forward as compared with the previous years.

The Company actively carried out marketing activities and opened up the market of Baijiu enrichment and impurity removal projects and recycling projects for waste alcohol after extracting xanthan gum. At present, with the rapid development of the domestic coal to ethanol industry, the Company will actively participate in the production line design, equipment installation, commissioning, and after-sales service of such enterprises in the next step. Considering that a lot of equipment of ethanol manufacturers have been used for 10 years or more and are facing the need for equipment replacement or upgrades, we will actively explore new product marketing models. The Company will approach the potential customers by telephone, video conference, business trips for face-to-face communication, participation in industry exhibitions, and strengthening online marketing to strive for more technology update and transformation contracts.

During the six months ended 30 June 2024, the Company recorded a total operating revenue of RMB36.58 million (1H2023: RMB32.12 million), representing an increase of 13.9% from the same period of last year. Operating loss was RMB1.58 million (1H2023: loss RMB15.46 million) and net loss was RMB2.54 million (1H2023: loss RMB16.27 million). The loss for the period was mainly due to fewer sales contracts secured by the Company. The decrease in loss for the period compared with the same period last year was mainly due to the increase in gross profit margin and the decrease in R&D expenses included in administrative expenses.

To overcome the difficult economic environment, the Company has focused on the following business activities in 1H2024:

(1) Striving to develop business

The Company continuously strengthened market promotion and customer development efforts through industry research and market dynamics analysis. After the lifting of epidemic prevention and control measures, we actively visited and communicated with our customers, actively participated in industry conferences and exhibitions, and effectively promoted our business. We also strived to expand our market influence and reach new customers through long-term good cooperation with our major customers. However, due to the significant impact of the stagnant economic environment on the industry, during the reporting period, we were only able to sign 16 new contracts, each with a relatively small amount. The total contract amount (excluding value-added tax) of these new contracts was RMB31.59 million (1H2023: RMB47 million), with a year-on-year decrease of 32.8%.

(2) Continuous R&D on new technology

The Company continued to increase R&D investment and adhered to the innovation oriented business philosophy to maintain the Company's technical competitiveness which laid down a solid technical foundation to support the Company's market development. During the reporting period, the Company invested a total of RMB1.44 million (1H2023: RMB5.91 million) in R&D, mainly focused on biomass fuel production technology and small scaled hydrogen production equipment.

(3) Progress of contracted projects

The Group has actively executed existing contractual projects, which included an alcohol recycling project in Jiangsu Province; a project for recycling of waste alcohol after extracting xanthan gum and an isoleucine amino acid project in Xinjiang Uygur Autonomous Region; a project for a 300,000-tonne per annum fuel ethanol plant based on corn feedstock in Heilongjiang Province; and an 80,000-tonne anhydrous ethanol project in Fujian Province. In addition, we also undertook a number of facility upgrade projects for fuel ethanol and edible alcohol producers. During the reporting period, the Group invested most of its manpower and resources in these domestic projects. The five largest projects generated revenue of RMB26.9 million, accounting for 73.5% of the Group's total revenue for the reporting period.

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.

As climate change poses an increasingly serious threat to human society, biofuels have gradually developed into a part of the global energy supply system. In the future, as the carbon peak and carbon neutral targets of major economies around the world are approaching, and the trend of green energy transformation is getting more and more intense, it is expected that the biofuel industry will still have more room for growth in the long run.

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 period, the Company and its subsidiaries have registered a total of 40 valid patents, including 25 invention patents.

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.

Capitalizing 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

Revenue for the reporting period increased by approximately RMB4.46 million, or 13.9%, from approximately RMB32.12 million for 1H2023 to approximately RMB36.58 million for 1H2024, which was mainly due to the increase in project completion.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB3.25 million, or 160.9%, from approximately RMB2.02 million for 1H2023 to approximately RMB5.27 million for 1H2024. The overall gross profit margin also increased from approximately 6.3% in 1H2023 to approximately 14.4% in 1H2024. The increase in gross profit margin was mainly due to the return of project marketing to normal and the discontinuation of offering large discounts.

Selling and Marketing Expenses

The Group's selling and marketing expenses decreased by approximately RMB70 thousand, or 3.1%, from approximately RMB2.29 million for 1H2023 to approximately RMB2.22 million for 1H2024. The Company is expecting to conduct more foreign marketing promotion activities in the second half of the year.

Administrative Expenses

Our administrative expenses primarily consisted of employee cost and benefit expenses, depreciation and amortization. The administrative expenses decreased by approximately 37.2% to approximately RMB8.68 million in 1H2024 (1H2023: approximately RMB13.82 million). The decrease in administrative expenses was mainly attributable to the decrease in R&D expenses included in administrative expenses.

Other Income

The Group has other income of approximately RMB0.74 million for 1H2024 (1H2023: Nil).

Finance Costs – net

The Group's finance costs – net increased by approximately 19% from 1H2023 to 1H2024. The finance costs mainly represented interests on bank borrowings and lease liabilities.

Income Tax Credit

The Group's income tax credit has decreased from approximately RMB1,000 in 1H2023 to nil in 1H2024, due to the refund of prepaid income tax for 2022 in 1H2023, which did not occur in 1H2024.

Loss Attributable to the Owners of the Company

As a result of the foregoing, the Group reported a loss attributable to the owners of the Company of approximately RMB2.76 million for 1H2024, compared to a loss of RMB16.22 million for 1H2023. The decrease in loss was mainly attributable to the increase in gross profit margin and the decrease in R&D expenses included in administrative expenses.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2024, the Group's cash and cash equivalents were approximately RMB6.39 million (as at 31 December 2023: approximately RMB5.17 million). The Group's cash is mainly used for payments to suppliers, subcontractors and working capital needs.

As at 30 June 2024, the Group had bank borrowings of RMB29.99 million in total (as at 31 December 2023: RMB26.99 million). The bank and other borrowings were mainly used to finance the working capital of the Group. The Directors confirmed that the Group had neither experienced difficulty in obtaining or repaying its bank borrowings, nor breached any major covenant or restriction of the Group's facilities up to the date of this announcement. Bank borrowing and repayment activities were normal.

The total equity of the Group as at 30 June 2024 was approximately RMB67.23 million (as at 31 December 2023: approximately RMB68.76 million). The Group generally finances its operations with internally generated cash flows, interest-bearing bank loans and other borrowings.

As at 30 June 2024, the Group's net current liabilities increased by approximately RMB0.6 million, or 5.5%, from approximately RMB10.84 million as at 31 December 2023 to approximately RMB11.44 million. The current ratio of the Group was approximately 0.95 times which is at the same level as at 31 December 2023.

The Group expresses its gearing ratio as a percentage of total debts divided by total equity. Its gearing ratio was approximately 3.66 as at 30 June 2024, and slightly lower than 3.75 as at 31 December 2023.

Capital Expenditure

The Group's capital expenditure principally consists of expenditures on intangible assets and acquisitions of property, plant and equipment related to operations, which were funded by the Group's internal resources and finance lease arrangement. During the reporting period, the Group did not have material changes in capital expenditures on property, plant and equipment.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during 1H2024.

Significant Investment Held

The Group did not hold any significant investment (except for its subsidiaries) during the reporting period.

Future Plans for Material Investments and Capital Assets

Saved as disclosed in this announcement, the Group did not have other plans for material investments and capital assets during 1H2024.

Segment Information

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

Contingent Liability

The Group had no contingent liabilities as at 30 June 2024 (as at 31 December 2023: Nil).

Pledge of Assets

As at 30 June 2024, the right-of-use assets and buildings of the Company's subsidiaries have been pledged to the bank as security for banking facilities granted to the Group.

Capital Commitments

As at 30 June 2024, the Group did not have any capital commitments (as at 31 December 2023: Nil).

Foreign Exchange Exposure

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

Treasury Policies

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group's workforce comprised 83 (as at 31 December 2023: 85) full-time employees.

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.

CORPORATE GOVERNANCE PRACTICES

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 of the Company (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 has complied with all code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2024.

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 have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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 listed securities of the Company during the six months ended 30 June 2024.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2024 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zkty.com.cn). The interim report for the six months ended 30 June 2024 containing all the information as required by the Listing Rules will be published on the aforesaid websites in due course.

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

Hong Kong, 30 August 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.