中科天元
China New Energy

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 2024

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 2024 ("**Reporting Year**"), together with the comparative figures for the corresponding period in 2023 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	4	**85,428**	41,826
Cost of sales		**(68,556)**	(46,948)
Gross profit/(loss)		**16,872**	(5,122)
Selling and marketing expenses		**(11,258)**	(8,763)
Administrative expenses		**(17,250)**	(17,158)
Impairment losses under expected credit loss model, net of reversal	9	**(35,674)**	(76,031)
Other income	6	**1,208**	1,571
Other losses – net	7	**(5,552)**	(4,050)
Share of result of associate		**(6,032)**	981
Operating loss		**(57,686)**	(108,572)
Finance costs	8	**(1,780)**	(1,828)
Loss before income tax	9	**(59,466)**	(110,400)
Income tax credit/(expense)	10	**174**	(16,323)
Loss for the year		**(59,292)**	(126,723)
Loss attributable to:			
– Owners of the Company		**(59,495)**	(126,594)
– Non-controlling interest		**203**	(129)
		(59,292)	(126,723)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic loss per share	12	**(0.101)**	(0.215)
Diluted loss per share	12	**(0.101)**	(0.215)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024	2023
	RMB'000	*RMB'000*
Loss for the year	**(59,292)**	(126,723)
Other comprehensive loss		
Items that may not be reclassified to profit or loss		
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	(2,126)
Items that may be reclassified to profit or loss		
– Exchange differences on translation of foreign operations	**184**	1,687
Other comprehensive loss for the year, net of tax	**184**	(439)
Total comprehensive loss for the year	**(59,108)**	(127,162)
Total comprehensive loss attributable to:		
– Owners of the Company	**(59,311)**	(127,033)
– Non-controlling interests	**203**	(129)
	(59,108)	(127,162)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		**7,775**	11,691
Intangible assets		**16,357**	17,844
Right-of-use assets		**6,309**	7,553
Interest in an associate		**47,949**	53,981
Financial assets at fair value through other comprehensive income		**–**	–
Deferred tax assets		**750**	750
		79,140	91,819
Current assets			
Inventories		**9,336**	11,822
Trade and bills receivables	*13*	**13,448**	34,393
Other receivables and prepayments	*14*	**11,569**	16,358
Contract assets		**148,905**	166,834
Bank balances and cash		**4,166**	5,174
		187,424	234,581
Current liabilities			
Trade payables	*15*	**62,260**	71,005
Other payables	*16*	**72,067**	61,900
Contract liabilities		**36,190**	42,471
Bank borrowings		**26,026**	19,960
Lease liabilities		**1,146**	1,057
Tax payable		**49,099**	49,025
		246,788	245,418
Net current liabilities		**(59,364)**	(10,837)
Total assets less current liabilities		**19,776**	80,982

	Notes	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Bank borrowings		**6,206**	7,028
Deferred tax liabilities		**630**	804
Lease liabilities		**3,285**	4,387
		10,121	12,219
Net assets		**9,655**	68,763
Capital and reserves			
Share capital		**1,762**	1,762
Reserves		**8,336**	67,647
Equity attributable to owners of the Company		**10,098**	69,409
Non-controlling interests		**(443)**	(646)
Total equity		**9,655**	68,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1 GENERAL INFORMATION

China New Energy Limited (the "**Company**") was incorporated in Jersey on 2 May 2006 as a public company with limited liability under the Jersey Companies Law and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 July 2020. The address of its registered office is at 13 Castle Street, St Helier, Jersey, JE1 1ES. The Company's principal place of business is at Unit 2406, 24/F., Strand 50, 50 Bonham Strand, Sheung Wan, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of ethanol production system technology integrated service in the ethanol fuel and alcoholic beverage industries in the People's Republic of China (the "**PRC**").

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

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

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

The Group's recorded a net loss of approximately RMB59,292,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB59,364,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

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

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

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

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

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

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

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

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 Group's annual periods beginning on 1 January 2024 for the preparation of the 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
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

Impacts on application of Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The Group has applied the amendments for the first time in the current year.

The 2020 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 classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. 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.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards 2024 – Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

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

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

Types of goods or services

	2024	2023
	RMB'000	*RMB'000*
Provision of construction services		
– ethanol production system technology integrated services		
Ethanol fuel industries	**26,696**	18,562
Alcoholic beverage industries	**26,077**	20,349
Others	**32,655**	2,915
Total	**85,428**	41,826

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

Timing of revenue recognition:

	2024	2023
	RMB'000	*RMB'000*
Over time	**83,154**	39,868
At a point in time	**2,274**	1,958
	85,428	41,826

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 and medical and industry of ethyl acetate. 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.

	2024	2023
	RMB'000	*RMB'000*
PRC	**79,943**	40,930
Myanmar	**187**	249
Russia	**–**	349
Indonesia	**5,249**	126
Other countries	**49**	172
Total	**85,428**	41,826

As at 31 December 2024 and 2023, 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:

	2024	2023
	RMB'000	*RMB'000*
Customer A[1]	**20,240**	N/A
Customer B	**19,197**	–
Customer C	**10,632**	15,432
Customer D[2]	**N/A**	4,714
Customer E[2]	**N/A**	4,385
Total	**50,069**	24,531

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

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2024.

6. OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**7**	7
Subsidy income *(note (i))*	**880**	1,564
Sundry income	**321**	–
	1,208	1,571

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

7. OTHER LOSSES – NET

	2024	2023
	RMB'000	*RMB'000*
Bad debts written off	**(2,475)**	(4,270)
Exchange losses, net	**(80)**	(1,170)
Impairment loss reversed on intangible assets	**503**	1,390
Provision for claim	**(3,500)**	–
	(5,552)	(4,050)

8. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Bank borrowings interest expense	**(1,596)**	(1,698)
Lease liabilities interest expense	**(184)**	(130)
	(1,780)	(1,828)

9. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging and (crediting) the following:

	2024	2023
	RMB'000	*RMB'000*
Staff costs (including directors' remuneration)		
Salaries, wages, bonuses and other benefits	**8,130**	11,108
Contribution to pension scheme	**1,542**	1,920
	9,672	13,028
Less: Capitalised in intangible assets	**(23)**	–
	9,649	13,028
Staff costs included in		
– Cost of sales	**948**	1,287
– Selling and marketing expenses	**2,459**	3,896
– Administrative expenses	**6,242**	7,845
Costs of engineering services	**15,510**	9,226
Equipment, materials, parts and consumables used	**44,187**	29,078
Depreciation of property, plant and equipment	**4,508**	4,923
Depreciation of right-of-use assets	**1,244**	1,212
Amortisation of intangible assets	**2,050**	1,850
Write-off of intangible assets	**–**	2,245
Impairment losses, net of reversal recognised on:		
– Trade and bills receivables	**22,253**	31,268
– Contract assets	**15,355**	(1,499)
– Other receivables	**(1,934)**	46,262
	35,674	76,031
Amounts included in administrative expenses:		
– Legal and professional fees	**1,161**	1,570
– Auditor's remuneration	**1,108**	1,086
– Research and development costs	**2,686**	6,427

10. INCOME TAX (CREDIT)/EXPENSE

	2024	2023
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**–**	–
Deferred income tax (credit)/expense	**(174)**	16,323
Total income tax (credit)/expense	**(174)**	16,323

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).

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 2024 and 2023 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 2024 and 2023.

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 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

12. LOSS PER SHARE

(a) Basic loss per share

The computation of the basic loss per share amount are based on the loss for the year attributable to owners of the Company of approximately RMB59,495,000 (2023: RMB126,594,000) and the weighted average number of ordinary shares of 589,758,898 (2023: 589,758,898) during the year.

(b) Diluted loss per share

For the years ended 31 December 2024 and 2023, the computation of diluted loss per share were the same as the basic loss per share as there were no potential ordinary shares outstanding during the years.

13. TRADE AND BILLS RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables – third parties	**105,263**	104,365
Bill receivables	**4,070**	3,660
	109,333	108,025
Less: Allowance for credit losses of trade and bills receivables	**(95,885)**	(73,632)
Trade and bills receivables – net	**13,448**	34,393

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

	2024	2023
	RMB'000	*RMB'000*
Within one year	**11,121**	33,391
One to two years	**1,846**	1,002
Two to three years	**481**	–
	13,448	34,393

As at 31 December 2024 and 2023, trade and bills receivables are denominated in RMB.

As at 31 December 2024, approximately RMB3,280,000 of bill receivables (2023: RMB2,120,000) was pledged as security for the Group's bank borrowings.

14. OTHER RECEIVABLES AND PREPAYMENT

Details of other receivables and prepayments are as follows:

	2024	2023
	RMB'000	*RMB'000*
Amounts due from related parties *(note (i))*	**22**	16
Amounts due from directors related to the exercise of the Pre-IPO Share Option Scheme	**418**	416
Amounts due from employees related to the exercise of the Pre-IPO Share Option Scheme	**2,186**	1,986
Prepayment for equipment of ethanol fuel construction and alcoholic beverage construction projects *(note (ii))*	**5,466**	12,331
Deposits receivables, net *(note (iii))*	**871**	494
Others, net	**2,606**	1,115
	11,569	16,358

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

(ii) The amounts represent the prepayment for equipment for use in the ethanol fuel construction and alcoholic beverage construction projects which the Group has contracted with the customers, which will be recognised as cost of sales when the equipment is delivered and installed.

(iii) Deposits receivables mainly represents up-front payments for guaranteeing performance of the contracts to Inner Mongolia Zhongneng Biological Technology Co., Ltd. of RMB78,000,000 with accumulated impairment of approximately RMB78,000,000 (2023: RMB78,000,000 with accumulated impairment of approximately RMB78,000,000) which will be returned upon the project completes. Due to the COVID-19 epidemic impacts, the projects were not yet completed as at 31 December 2024. An impairment loss of approximately RMB46,842,000 was recognised during the year ended 31 December 2023.

Other receivables and prepayments are denominated in:

	2024	2023
	RMB'000	*RMB'000*
RMB	**11,037**	15,839
GBP	**532**	519
	11,569	16,358

15. TRADE PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables	**62,260**	71,005

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

	2024	2023
	RMB'000	*RMB'000*
less than one year	**9,290**	9,317
1-2 years	**5,274**	15,995
2-3 years	**10,729**	28,336
over 3 years	**36,967**	17,357
	62,260	71,005

The Group's trade payables as at 31 December 2024 and 2023 were denominated in RMB.

16. OTHER PAYABLES

	2024	2023
	RMB'000	*RMB'000*
VAT payable	**36,889**	36,123
Other payables and accruals	**28,352**	21,876
Wages payables	**6,211**	3,526
Amounts due to directors *(Note)*	**615**	375
	72,067	61,900

Note:

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

Other payables were denominated in:

	2024	2023
	RMB'000	*RMB'000*
– RMB	**68,964**	58,752
– HKD	**2,649**	2,841
– GBP	**454**	307
	72,067	61,900

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is a leading ethanol system producer in the People's Republic of China (the "**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 39 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, and maintenance for alcohol, ethanol fuel, biobutanol, recycling of waste alcohol after extracting xanthan gum concentration and similar production systems. We provide customers with complete customised solutions for project construction, relocation, upgrading, transformation, system manufacturing and installation of systems. According to our business process and operation system, we have established a business model led by marketing service and followed by technical research and development ("**R&D**") centre support, centralised procurement, collaborative production, distribution and on-site production, equipment system integration, installation and commissioning, where each step is assigned with technical engineer service. We have thus created a comprehensive system of design, construction, installation and commissioning and turnkey project to sincerely serve our customers.

In 2024, the development of the ethanol fuel market in which the Company operates was characterised by stable production but declining prices and sluggish domestic demand. Firstly, in terms of production volume, the domestic supply of ethanol fuel was mainly concentrated in the provinces of Heilongjiang, Jilin, Anhui and Liaoning, which accounted for more than 80% of the national ethanol fuel production, with the Heilongjiang Province having the largest production volume, accounting for approximately half of the total volume of China in 2023. This indicates that domestic ethanol fuel production was highly concentrated and relatively stable. Secondly, the downward trend in prices was partly attributable to adverse factors on the cost side, such as a year-on-year decline in corn prices, which resulted in insufficient cost support. Thirdly, despite the increase in travel after relaxation of the pandemic restrictions, the consumption of ethanol fuel did not show significant growth. On the contrary, due to structural changes in energy sources, the demand for fuel decreased and the consumption of petrol was much lower than the peak before the outbreak, which in turn affected the consumption of ethanol fuel. As a result, manufacturers are no longer pursuing an indiscriminate expansion of market share, nor are they adding production capacity or constructing new factories. Involution of the industry has intensified, with various enterprises vying for market share through technological innovation and product upgrades. Internationally, due to the cumulative influence of geopolitical factors, potential projects in Africa, Southeast Asia, and other foreign countries that we have been communicating with in recent years have made slow progress. The above internal and external factors have to some extent affected the development of the industry and the Company's business.

The Company has been actively changing the direction of marketing and opened up the market of waste alcohol enrichment and impurity removal projects and projects for recycling of waste alcohol after extracting xanthan gum. At present, with the rapid development of the domestic coal to ethanol industry, the Company will also strengthen the R&D efforts of that industrial technology and actively participate in the production line design, equipment installation, commissioning, and after-sales service of the enterprises. Moreover, since a lot of equipment of our regular clients has been used for 10 years or more and is facing the need for equipment replacement or product upgrades, the Company will actively explore new product marketing models and make use of a variety of marketing tactics to strive for more contracts.

To overcome the difficult economic environment, the Company focused on the following business activities in 2024:

(1) Striving to develop business

The Company continuously strengthened marketing promotion and customer development efforts through industry research and market dynamics analysis. 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 through good long-term cooperation with our major customers and reach new customers. Our endeavors yielded outstanding achievements during the Reporting Year. The Company has signed 20 new contracts domestically which are currently executed, with the value of projects signed increasing from approximately RMB68 million in 2023 to around RMB192 million in 2024. The growth in contract sum for 2024 was primarily attributable to the anhydrous ethanol dehydration business within the coal to ethanol industry. Additionally, the projects for recycling of waste alcohol, as a new business of the Group, also contributed to the increase in contract sum.

(2) Continuous advancement of R&D of new technologies

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 Year, the Company invested a total of RMB2.7 million in R&D, which mainly focused on biomass fuel production technology and small scaled hydrogen production equipment.

(3) Progress of contracted projects

The Group has actively executed existing contracted projects, which included a project for the procurement of ethanol molecular sieve dehydration system for coalification of 500,000 tons/year of methanol to ethanol in Shaanxi Province; a project for the procurement of ethanol molecular sieve dehydration system for electrolyte precursor of 200,000 tons/year of ethanol unit in Hubei Province; a main contracting project for the design and construction of energy-saving renovation of the 4-line distillation and evaporation unit in Jilin Province; a project for waste alcohol distillation unit for xanthan gum extraction and an isoleucine amino acid project in Xinjiang Uygur Autonomous Region. In addition, we also undertook a number of facility upgrade projects for ethanol fuel and edible alcohol producers. During the Reporting Year, the Group invested most of its manpower and resources in these domestic projects. The three largest projects generated revenue of RMB50.07 million, accounting for 58.61% of the Group's total revenue for the Reporting Year.

FUTURE PROSPECTS

(1) Business development strategy

It was clearly proposed in the "14th Five-Year Plan" of China to expand the application of biofuels. The target consumption of ethanol fuels may reach 12 million tons by 2025, and the demand for equipment will grow in tandem with the expansion of production capacity. 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 a new stage.

The Company will seize this historic opportunity and actively develop new technologies and new business given its leading position in the industry.

- ***Strengthening domestic market position***

  In the short term, the demand for equipment replacement in China will yield steady growth. In the long term, the Company has to withstand industry fluctuations by leveraging technological innovation (e.g. cellulosic ethanol, synthetic biotechnology) and diversification (hydrogen energy equipment and bio-based materials). We will establish a differentiated advantage in the realms of energy efficiency, environmental protection, and intelligent solutions, emerging as a leader in China's bioenergy equipment sector.

- ***Expanding into overseas emerging markets***

  Internationally, we will continue to actively explore overseas markets. We will continue to push for the early commencement of the major overhaul project of the Romanian ethanol fuel plant signed in 2024. At the same time, we will target at Southeast Asia (where there are rich cassava raw materials), Brazil (where there is demand for the sugarcane ethanol technology) and other regions for the export of China's equipment solutions with high price-performance ratios. Against the backdrop of strengthening biofuel policies in Europe and the U.S. (e.g. the EU's RED III requires renewable energy consumption to increase to 40% by 2030), we will also endeavour to expand our market share by leveraging China's price-performance advantage in terms of equipment.

  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 China 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 much 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 the 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 environmental-friendly new energy production. As at the end of the Reporting Year, the Company and its subsidiaries have registered a total of 39 valid patents, including 25 invention patents.

The Company aims to maintain its technical leadership in the ethanol fuel market. Through our R&D efforts in the cutting edge 1.5th and 2nd generation cellulose ethanol production technologies, hydrogen energy production technology, as well as high-carbon ethanol production technology through ethanol intensive processing and related equipment manufacturing, we will be able to increase project income from cellulose ethanol, hydrogen energy industry and high-carbon ethanol equipment manufacturing in the future.

Leveraging the development and manufacturing of pretreatment, fermentation and purification equipment compatible with multiple raw materials (such as corn, cassava, straw and cellulose), we will mitigate customers' reliance on a single source of raw material supply. By introducing an Internet of Things (IoT) remote monitoring system, we will enhance the automation level of our equipment, thereby assisting clients in reducing operational costs. Meanwhile, we will pursue advancements in energy efficiency and environmental protection, including the optimization of equipment energy consumption (such as reduction in steam usage and the implementation of wastewater recycling technologies) to meet the environmental standards as required under China's dual carbon goals.

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 a R&D and production model with an organic combination of production, learning and research. Our R&D activities will focus on ethanol fuel technology, super grade alcohol, hydrogen production, green bio-based chemicals and equipment manufacturing technology and related chemical production processes, with our technology ahead of the curve so as to empower the business growth of the Group.

FINANCIAL REVIEW

Revenue

During the Reporting Year, the Company realized a total operating revenue of RMB85.43 million (2023: RMB41.83 million), an increase of 104.2% over the year ended 31 December 2023, and a loss attributable to owners of the Company of RMB59.50 million (2023: loss of RMB126.59 million), which decreased by 53.0% compared to the year ended 31 December 2023. The increase in revenue was mainly because the Company received more orders when compared with last year. The total amount of contracts for the Reporting Year increased by approximately 182.4% as the Company actively explored the business of enrichment and impurity removal of waste alcohol, recycling of waste alcohol after extracting xanthan gum and coal to ethanol business in addition to the traditional industry.

Cost of sales

Cost of sales increased by approximately RMB21.61 million, or 46.0%, from approximately RMB46.95 million for the year ended 31 December 2023 to approximately RMB68.56 million for the Reporting Year. Such increase was mainly driven by the corresponding increase in revenue of the Reporting Year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB21.99 million from loss of approximately RMB5.12 million for the year ended 31 December 2023 to profit of approximately RMB16.87 million for the Reporting Year. The Group's overall gross profit margin increased from approximately -12.2% for the year ended 31 December 2023 to approximately 19.7% for the Reporting Year. The increase in gross profit margin was mainly due to the increase in the gross profit margins of contracts.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately RMB2.50 million, or 28.5%, from approximately RMB8.76 million for the year ended 31 December 2023 to approximately RMB11.26 million for the Reporting Year, mainly due to the increase in engineering projects.

Administrative expenses

The administrative expenses increased by approximately RMB0.09 million, or 0.5%, from approximately RMB17.16 million for the year ended 31 December 2023 to approximately RMB17.25 million for the Reporting Year.

Net impairment losses under expected credit loss model

For the year ended 31 December 2024, the Group engaged an independent valuer to evaluate the expected credit loss on the trade and other receivables and contract assets. Based on current economic conditions, historical collection experience and outlook, the Group was required to record a further impairment loss on the trade and other receivables and contract assets totalling approximately RMB35.67 million for the Reporting Year, which decreased by approximately RMB40.36 million, or 53.1% compared to RMB76.03 million for the year ended 31 December 2023. The Group has strengthened its collection policies and held ongoing discussions with the customers about collection and billings and is prepared to take legal action if necessary.

Other income and other losses – net

The total of other income and other losses – net increased by approximately RMB1.86 million from loss of approximately RMB2.48 million for the year ended 31 December 2023 to loss of approximately RMB4.34 million for the Reporting Year, mainly attributable to the increase in provision for claims for the year ended 31 December 2024.

Finance costs – net

The Group's finance costs – net decreased by approximately RMB50,000 from approximately RMB1.83 million for the year ended 31 December 2023 to approximately RMB1.78 million for the Reporting Year. The finance costs mainly represented interests on bank borrowings.

Loss attributable to owners of the Company

As a result of the foregoing, for the Reporting Year, the Group recorded a loss attributable to owners of the Company of approximately RMB59.50 million as compared to a loss of approximately RMB126.59 million for the year ended 31 December 2023, representing a decrease of approximately RMB67.09 million or 53.0%, mainly due to the increase in revenue and decrease in impairment losses under the expected credit loss model.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, 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 2024, the Group had net current liabilities of approximately RMB59.36 million (2023: net current liabilities of approximately RMB10.84 million) and bank deposits, balances and cash of approximately RMB4.17 million (2023: approximately RMB5.17 million). As at 31 December 2024, the Group's total equity attributable to owners of the Company amounted to approximately RMB10.10 million (2023: approximately RMB69.41 million), and the Group's total debt comprising lease liabilities amounted to approximately RMB256.91 million (2023: approximately RMB257.64 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 26.60 (as at 31 December 2023: approximately 3.75).

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2024, the Group's borrowings were approximately RMB32.23 million (31 December 2023: RMB26.99 million), of which RMB26.03 million will be repayable within 1 year. Such loans were all denominated in RMB. The weighted average effective interest rates as at 31 December 2024 and 2023 were 3.85% and 3.72%, respectively. There is no seasonal requirement for borrowings. As at 31 December 2024, certain bill receivables and the right-of-use land and buildings of the Company's subsidiaries have been pledged to the bank as security for banking facilities granted to the Group. The pledged land and properties will be released upon the settlement of relevant loans.

FOREIGN EXCHANGE EXPOSURE

For the Group's operations in China, the major revenues and expenses are denominated in RMB. Since there are certain monetary assets and monetary liabilities that are denominated in Hong Kong dollars, the Group would be exposed to foreign exchange risk. The Group currently does not have any foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

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

During the Reporting Year, the Group did not have significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures, and neither did the Group have any plans for material investments or acquisition of capital assets as at 31 December 2024.

TREASURY POLICY

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

CONTINGENT LIABILITIES

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

COMMITMENTS

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

LITIGATIONS

On 13 December 2024, a customer initiated a legal claim (Court Case No. (2024)寧0181民初6713號) against Guangdong Zhongke Tianyuan New Energy Science and Technology Co. Ltd, a subsidiary of the Company. The claim involves the cancellation of a revenue contract and a request for a refund of RMB3,000,000 for the settled sales amount, along with RMB500,000 in damages for breach of contract.

Based on the opinion of the Group's external lawyer, the Company's directors consider it probable that the customer will successfully claim these amounts. Consequently, a provision of approximately RMB3,500,000 has been made regarding this claim for the year ended 31 December 2024, which is included in other payables as of 31 December 2024.

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 2024, the Group had 82 employees (2023: 85 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 ongoing and continuous development of its employees is critical to its success. The Group provides its employees with tailored training programmes that are designed to upgrade their skills and knowledge and to prepare them for the next step in their career paths within the Group. The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws of China. The remuneration offered to employees generally includes salaries and bonuses. In general, the Group determines salaries of its employees based on each employee's qualifications, position and performance.

FINAL DIVIDEND

The Board does not recommend the distribution of any final dividend for the year ended 31 December 2024 (2023: Nil).

EVENTS AFTER THE REPORTING DATE

From 31 December 2024 to the date of this announcement, no significant events have occurred.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

In the opinion of the Directors, the Company complied with all code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2024, except for the deviation as disclosed below.

Code provision C.5.3 of the CG Code stipulates that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the year ended 31 December 2024, one of the regular Board meetings was convened with less than 14 days' notice to enable the Directors to react timely and make expeditious decisions in respect of internal affairs of the Group. As a result, the aforesaid regular Board meeting was held with a shorter notice period than required with no objection by the Directors. The Board will endeavour to meet the requirement of this code provision in the future.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors complied with the required standard set out in the Model Code throughout the year ended 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

REVIEW OF ANNUAL RESULTS

The Group's consolidated financial statements for the year ended 31 December 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.

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 2024 as set out in this announcement have been agreed by the Group's auditor, KTC Partners CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Year. The work performed by KTC Partners CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC Partners CPA Limited on this announcement.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2024. The report includes paragraphs of an emphasis of matter, without qualification.

"Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements which indicates that the Group incurred a net loss of approximately RMB59,292,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB59,364,000. These conditions along with other matters as set forth in note 3.1 to the consolidated financial statement, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zkty.com.cn), and the annual report for the year ended 31 December 2024 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 2025

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.