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China Nature Energy Technology Holdings Limited

中國納泉能源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1597)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “**Board**”) of China Nature Energy Technology Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	3	284,075	219,949
Cost of sales		<u>(257,130)</u>	<u>(192,394)</u>
Gross profit		26,945	27,555
Other revenue	4(a)	3,756	6,002
Other net loss	4(b)	(341)	(2,977)
Selling and distribution expenses		(8,302)	(6,322)
Administrative and other operating expenses		<u>(30,697)</u>	<u>(15,059)</u>
(Loss)/profit from operations		(8,639)	9,199
Net finance costs	5(a)	<u>(3,022)</u>	<u>(1,962)</u>
(Loss)/profit before taxation	5	(11,661)	7,237
Income tax	6	<u>(821)</u>	<u>(1,863)</u>
(Loss)/profit for the year		<u>(12,482)</u>	<u>5,374</u>
Attributable to:			
Equity shareholders of the Company		(10,144)	5,374
Non-controlling interests		<u>(2,338)</u>	<u>—</u>
(Loss)/profit for the year		<u>(12,482)</u>	<u>5,374</u>
(Loss)/earnings per share	7		
Basic and diluted (RMB)		<u>(0.041)</u>	<u>0.021</u>

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

For the year ended 31 December 2023

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
(Loss)/profit for the year		<u>(12,482)</u>	<u>5,374</u>
Other comprehensive income for the year (after tax adjustments)			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference on translation of financial statements of entities with functional currencies other than Renminbi (“RMB”)		473	4,557
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of entities with functional currencies other than RMB		<u>(440)</u>	<u>(1,489)</u>
Other comprehensive income for the year		<u>33</u>	<u>3,068</u>
Total comprehensive income for the year		<u><u>(12,449)</u></u>	<u><u>8,442</u></u>
Attributable to:			
Equity shareholders of the Company		(10,111)	8,442
Non-controlling interests		<u>(2,338)</u>	<u>—</u>
Total comprehensive income for the year		<u><u>(12,449)</u></u>	<u><u>8,442</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2023

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		125,672	96,576
Interests in joint ventures		—	—
Contract assets		13,831	3,882
Other receivables	9	600	200
Deferred tax assets		1,123	208
		<u>141,226</u>	<u>100,866</u>
Current assets			
Assets held for sale		7,048	7,048
Inventories		12,989	15,734
Contract assets		36,874	188
Trade and other receivables	9	218,922	226,156
Taxation recoverable		—	628
Loans to related parties and a third party		25,359	25,489
Cash and cash equivalents		55,824	43,911
Pledged deposits		20,097	21,706
		<u>377,113</u>	<u>340,860</u>
Current liabilities			
Bank loans and other borrowings		68,561	39,460
Trade and other payables	10	169,749	125,624
Lease liabilities		4,310	2,113
Contract liabilities		995	1,188
Current taxation		463	521
		<u>244,078</u>	<u>168,906</u>
Net current assets		<u>133,035</u>	<u>171,954</u>
Total assets less current liabilities		<u>274,261</u>	<u>272,820</u>

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Non-current liabilities			
Trade and other payables	10	2,093	1,008
Lease liabilities		10,614	3,809
		<u>12,707</u>	<u>4,817</u>
NET ASSETS		<u>261,554</u>	<u>268,003</u>
CAPITAL AND RESERVES			
Share capital	11	2,168	2,168
Reserves		255,724	265,835
Total equity attributable to equity shareholders of the Company		257,892	268,003
Non-controlling interests		3,662	—
TOTAL EQUITY		<u>261,554</u>	<u>268,003</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

China Nature Energy Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 28 November 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 20 October 2020. The Company and its subsidiaries (collectively as the “**Group**”) are principally engaged in the research and development, integration, manufacture and sales of pitch control systems and related components, wind power generation, wind farm operation and maintenance business and energy storage business in the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in Renminbi, unless otherwise stated and have approved for issue by the Board of Directors on 28 March 2024. They have been prepared in accordance with all applicable International Financial Reporting Standard (“**IFRSs**”) using the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information relating to the financial year ended 31 December 2023 that is included in this preliminary annual results announcement does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following new and amended IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Definition of Accounting Estimates*
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12, *International Tax Reform — Pillar Two Model Rules*

None of these developments had a material effect on how the Group’s results and financial position for the current or prior years have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the research and development, integration, manufacture and sales of pitch control systems and related components, sales of wind power, wind farm operation and maintenance business and energy storage business. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue by business lines is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
— Sales of pitch control systems and related components	217,569	172,888
— Sales of wind power	17,471	18,483
— Wind farm operation and maintenance business	19,921	23,800
— Energy storage business	29,114	2,835
— Provision of wind energy related consultancy services	—	1,000
	<u>284,075</u>	<u>219,006</u>
Revenue from other source		
Energy storage business		
— Gross rentals from equipment leasing	—	943
	<u>284,075</u>	<u>219,949</u>

The Group's revenue from contracts with customers were recognised on a point in time basis.

The Group had one (2022: two) customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2023. In 2023, revenue from sales of pitch control systems and related components and wind farm operation and maintenance business to this customer, including sales to entities which are known to the Group to be under common control with the customer, amounted to RMB195,127,000 (2022: RMB167,111,000).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods such that information about revenue expected to be recognised in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by division, which is organised by business lines (sales of pitch control systems and related components, sales of wind power, wind farm operation and maintenance business and energy storage business). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No individually mentioned operating segments have been aggregated to form the following reportable segments.

- Sales of pitch control systems and related components: it engages in the research and development, integration, manufacture and sales of the pitch control systems and related components in wind turbines manufacture;
- Sales of wind power: it engages in the sales of wind power electricity generated from wind farms;
- Wind farm operation and maintenance business: it provides wind farm operation and maintenance, upgrade and modification services and engages in the sales of wind farm consumables; and
- Energy storage business: it engages in research and development, integration, manufacture and sales of energy storage products, provision of related services and leasing of related equipment.

(i) Segment results and assets

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include trade and other receivables, inventories, contract assets and property, plant and equipment, with the exception of interests in joint ventures, deferred tax assets, assets held for sale, taxation recoverable, loans to related parties and a third party, cash and cash equivalents and pledged deposits.

The measure used for reporting segment profit is gross profit.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	2023					
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Energy storage business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>217,569</u>	<u>17,471</u>	<u>19,921</u>	<u>29,114</u>	<u>—</u>	<u>284,075</u>
Reportable segment profit	<u>5,653</u>	<u>8,401</u>	<u>5,335</u>	<u>7,556</u>	<u>—</u>	<u>26,945</u>
Reportable segment assets	<u>153,804</u>	<u>136,918</u>	<u>4,829</u>	<u>113,337</u>	<u>—</u>	<u>408,888</u>
	2022					
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Energy storage business <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>172,888</u>	<u>18,483</u>	<u>23,800</u>	<u>3,778</u>	<u>1,000</u>	<u>219,949</u>
Reportable segment profit	<u>11,294</u>	<u>9,531</u>	<u>5,391</u>	<u>996</u>	<u>343</u>	<u>27,555</u>
Reportable segment assets	<u>184,430</u>	<u>131,130</u>	<u>19,759</u>	<u>7,417</u>	<u>—</u>	<u>342,736</u>

(ii) *Reconciliations of reportable segment revenues, profit or loss and assets*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>284,075</u>	<u>219,949</u>
Consolidated revenue	<u><u>284,075</u></u>	<u><u>219,949</u></u>
Profit		
Reportable segment profit	26,945	27,555
Other revenue	3,756	6,002
Other net loss	(341)	(2,977)
Selling and distribution expenses	(8,302)	(6,322)
Administrative and other operating expenses	(30,697)	(15,059)
Net finance costs	<u>(3,022)</u>	<u>(1,962)</u>
Consolidated (loss)/profit before taxation	<u><u>(11,661)</u></u>	<u><u>7,237</u></u>
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Assets		
Reportable segment assets	408,888	342,736
Deferred tax assets	1,123	208
Assets held for sale	7,048	7,048
Taxation recoverable	—	628
Loans to related parties and a third party	25,359	25,489
Cash and cash equivalents	55,824	43,911
Pledged deposits	<u>20,097</u>	<u>21,706</u>
Consolidated total assets	<u><u>518,339</u></u>	<u><u>441,726</u></u>

(iii) *Geographic information*

IFRS 8, *Operating Segments*, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organisation (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because all of its revenue was generated in the PRC and substantially all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

4 OTHER REVENUE AND OTHER NET LOSS

(a) Other revenue

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
VAT refund and deduction (<i>Note i</i>)	3,590	1,639
Government subsidies (<i>Note ii</i>)	78	4,267
Others	88	96
	<u>3,756</u>	<u>6,002</u>

Notes:

- (i) Pursuant to Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry (Guofa [2011] No.4), enterprises engaged in the sales of self-developed software in the PRC are entitled to a VAT refund to the extent that the effective VAT rate of the sales of the software products in the PRC exceeds 3% of the sales amounts. During the years ended 31 December 2023 and 2022, the Group received such VAT refund of RMB1,109,000 and RMB602,000 respectively.

Pursuant to the VAT Policy on Wind Power Generation (Caishui [2015] No.74), enterprises selling self-generated wind power will be entitled to a 50% refund of VAT. During the years ended 31 December 2023 and 2022, the Group received such VAT refund of RMB1,052,000 and RMB1,037,000 respectively.

Pursuant to the Announcement on the Weighted VAT Deduction Policy for Advanced Manufacturing Enterprises, advanced manufacturing enterprises are allowed to deduct weighted 5% of the input VAT against the output VAT. During the year ended 31 December 2023, such VAT deduction amounted to RMB1,429,000.

- (ii) During the years ended 31 December 2023 and 2022, the Group received unconditional government subsidies of RMB78,000 and RMB4,267,000, respectively, as encouragement of their contribution in technology development and the local economy.

(b) Other net loss

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net exchange losses	(237)	(1,818)
Idle cost on production suspension	—	(1,253)
Gains on disposal of property, plant and equipment	—	101
Others	(104)	(7)
	<u>(341)</u>	<u>(2,977)</u>

5 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on bank loans	621	276
Interest expenses on loans due to third parties	1,672	1,790
Interest expenses on loans due to a related party	417	—
Interest expenses on lease liabilities	<u>686</u>	<u>347</u>
	3,396	2,413
Interest income	<u>(374)</u>	<u>(451)</u>
Net finance costs	<u><u>3,022</u></u>	<u><u>1,962</u></u>

(b) Staff costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages and other benefits	33,831	22,456
Contributions to defined contribution retirement plans	<u>2,272</u>	<u>1,850</u>
	<u><u>36,103</u></u>	<u><u>24,306</u></u>

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement plans administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the plan to fund the retirement benefits of the employees.

The Group's contributions to the defined contribution retirement plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions. The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) **Other items**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories recognised as expenses (<i>Note</i>)	246,037	178,368
Depreciation charges		
— owned property, plant and equipment	8,737	6,893
— right-of-use assets	3,007	3,252
Provision of ECL allowance		
— trade receivables and contract assets	1,427	68
— loans to related parties and a third party	191	—
Auditors' remuneration		
— audit services	1,130	1,050
— non-audit services	300	300

Note:

Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation of property, plant and equipment and research and development expenses, which are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax — PRC Corporate Income Tax		
Provision for the year	1,406	1,456
Under-provision in respect of prior years	330	414
Deferred tax		
Origination and reversal of temporary differences	(915)	(7)
	<u>821</u>	<u>1,863</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the subsidiaries of the Group which operate in PRC are subject to Corporate Income Tax at a rate of 25% on their taxable income.
- (iii) According to the Administrative Measures for Determination of High Tech Enterprises (Guokefahuo [2016] No.32), Jiangsu Nature Hongyuan New Energy Technology Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2021 to 2023.

- (iv) Pursuant to Caishui [2011] No.58 and Caishui [2020] No.23 Notice on Tax Policies for Further Implementation of Western Regions Development Strategy, Datang Guocang Duolun New Energy Co., Ltd. was established in the western regions of the PRC, and was entitled to the preferential income tax rate of 15% from its incorporation to 2030.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB10,144,000 (2022: profit attributable to ordinary equity shareholders of the Company of RMB5,374,000) and the weighted average of 250,000,000 ordinary shares (2022: 250,000,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
Issued ordinary shares at 1 January and 31 December	<u>250,000,000</u>	<u>250,000,000</u>

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 December 2023 and 2022 are the same as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares issued.

8 DIVIDENDS

No dividend was paid or declared by the Company for the year ended 31 December 2023 (2022: Nil).

9 TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current		
Trade and bills receivable, net of loss allowance	212,660	222,969
Prepayments	2,150	1,643
Other receivables	<u>4,112</u>	<u>1,544</u>
Total	<u>218,922</u>	<u>226,156</u>
Non-current		
Other receivables	<u>600</u>	<u>200</u>
	<u>219,522</u>	<u>226,356</u>

Except for the non-current other receivables related to the deposits of tenancy agreements, all of trade and other receivables balances are expected to be recovered or recognised as an expense within one year.

Trade and bills receivable

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Measured at amortised cost		
— Trade receivables	165,003	144,123
— Bills receivable	39,789	31,554
Measured at fair value through other comprehensive income (FVOCI)		
— Bills receivable (<i>Note</i>)	<u>10,181</u>	<u>48,657</u>
	214,973	224,334
Less: loss allowance	<u>(2,313)</u>	<u>(1,365)</u>
	<u>212,660</u>	<u>222,969</u>

Note:

Certain amounts of the Group's bills receivable measured at FVOCI were held for collection of contractual cash flows and for selling the financial asset, where cash flows of the bills receivable represented solely payments of principal and interest.

The bills accepted by banks with high credit quality were derecognised when they were endorsed or discounted. In the opinion of the directors, the Group did not retain substantially all the risks and rewards of ownership of these bills, because the credit risk of the acceptance banks was very low and the Group had transferred out all interest risk of the bills upon endorsement or discount. As the transferees had the practical ability to further endorse or discount the bills, control of these bills were transferred upon endorsement or discount and thus they were derecognised. As at 31 December 2023, bills endorsed or discounted and derecognised, but that had not reached maturity amounted to RMB55,489,000 (2022: RMB46,369,000). This represents the Group's maximum exposure to loss should the acceptance banks fail to settle the bills on their maturity date. However, non-settlement by those acceptance banks was considered unlikely.

As of the end of the reporting period, the aging analysis of trade and bills receivable, based on the revenue recognition date and net of loss allowance, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	165,718	188,403
Over 1 year but within 2 years	12,376	14,136
Over 2 years but within 3 years	14,136	9,047
Over 3 years	<u>20,430</u>	<u>11,383</u>
	<u>212,660</u>	<u>222,969</u>

Generally, the Group's trade receivables are due within 30 to 180 days from the date of billing, except for the tariff premium, representing 61% (2022: 59%) of total wind power sales for the year ended 31 December 2023. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid company, which takes a relatively long time for settlement. As at 31 December 2023, the tariff premium receivables included in trade and other receivables amounted to RMB58,993,000 (2022: RMB46,942,000).

Pursuant to Caijian [2020] No.5 Notice on the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in January 2020, a set of standardised procedures for the settlement of the tariff premium came into effect from 2020 and approvals on a project by project basis are required before the allocation of funds to local grid companies. The directors of the Company are of the opinion that the tariff premium receivables are fully recoverable considering that there are no loss experiences with the state owned grid company in the past and the tariff premium is funded by the PRC government.

As at 31 December 2023, bills receivable of RMB24,286,000 (2022: RMB27,282,000) were pledged as security for issuance of bills payable.

10 TRADE AND OTHER PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current		
Trade payables (<i>Note (a) below</i>)	77,581	41,057
Bills payable	45,846	46,871
Other payables (<i>Note (b) below</i>)	46,322	37,696
	<u>169,749</u>	<u>125,624</u>
Non-current		
Trade payables	<u>2,093</u>	<u>1,008</u>
	<u>171,842</u>	<u>126,632</u>

(a) Trade payables

As of the end of the reporting period, the aging analysis of trade payables other than non-current portion which is the warranty from certain suppliers, based on the invoice date, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	48,946	40,395
3 to 6 months	26,138	198
6 to 12 months	1,691	258
Over 12 months	806	206
	<u>77,581</u>	<u>41,057</u>

All of the current portion of trade payables are expected to be settled within one year or are repayable on demand.

(b) Other payables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest payable	28,459	26,370
Payables for staff related costs	4,853	2,353
Advances from disposal of joint ventures	5,133	5,133
Others	7,877	3,840
	<u>46,322</u>	<u>37,696</u>

11 SHARE CAPITAL

	2023 <i>No. of shares</i>	<i>RMB'000</i>	2022 <i>No. of shares</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	<u>250,000,000</u>	<u>2,168</u>	<u>250,000,000</u>	<u>2,168</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a wind power and pitch control system solution provider in the PRC. We undertake research and development (“R&D”), integration, manufacture and sale business of high-voltage pitch control systems for wind turbines, wind power generation business and post-wind power market maintenance and operation business. Energy storage is positioned as one of the Company’s core businesses in 2023, providing smart energy goods and services in wind power, photovoltaic and thermal power.

PITCH CONTROL SYSTEM RELATED INTEGRATION, MANUFACTURE AND SALES

We develop, manufacture and sell (1) customised pitch control systems and (2) customised core components of pitch control systems, such as pitch drive controllers, motors, according to the requirements of our customers, and generate revenue from product sales and integration charges. The customers of the pitch control systems have grown from Envision Energy at the beginning to the current quality wind turbine manufacturers such as Zhejiang Windey, Sany Renewable Energy, CRRC Group, Sinovel and Shanghai Electric. The customers of the core components include Guoneng I&C.

In 2023, the Group delivered a total of 1,823 sets of pitch control system products, representing an increase in delivery volume by 38.8% from 2022. The products delivered included different types of 2 MW to 7 MW models.

WIND POWER GENERATION

We commenced our wind power generation business in 2015 by operating our Duolun Wind Farm in Inner Mongolia. Our Duolun Wind Farm is installed with 13 wind turbines with a total installed capacity of 19.5MW, where we admit electricity generated to the local power grid and sell electricity generated to the local power grid company. We collect on-grid tariff from the local power grid company based on the meter readings at an agreed rate on a monthly basis.

In 2023, the annual utilisation hours of the Duolun Wind Farm were 2,721 hours, and the annual total wind power generated and admitted to the power grid was 53.07 million kWh.

WIND FARM OPERATION AND MAINTENANCE

We offer post market operation and maintenance services to our customers, which include (1) general operation and maintenance service for wind farms; (2) upgrade and modification works for pitch control systems; and (3) supply of consumables. We charge service fees and cost of the sales of consumables through providing such services to customers.

For further details in relation to the disposal of the decentralized distributed wind farm project invested and developed by the Group through Lingqiu County Fengyuan Energy Technology Company Limited* (靈丘縣灃沅能源科技有限公司) (“**Lingqiu County Fengyuan**”) in Lingqiu County, Datong City, Shanxi Province (“**the Lingqiu Project**”), please refer to the announcement of the Company dated 25 March 2022. The transaction was not yet completed in 2023 due to the non-satisfaction of “conditions for completion” stipulated in the Equity Purchase Agreement namely, the Lingqiu Project is still in the process of completing administrative procedures and obtaining the final approval from the relevant government department on the use of forest land.

ENERGY STORAGE

With energy storage as one of its core businesses, the Group provides customers with energy storage products and solutions, energy storage modules, pack and system equipment, EMS, intelligent energy cloud platform and integrated energy simulation and calculation platform. In 2023, the Group took the R&D, production and integration of energy storage products as a breakthrough. We established a core team, renovated the plant and put it into operation, and implemented 4 order projects, gaining customer recognition for energy storage products.

OUTLOOK OF THE GROUP

In 2024, the Group will continue to focus on the new energy power sector, maintain its domestic market share and leading position in pitch control systems while maintaining the sound performance of its well-developed wind power generation and operation and maintenance business. Meanwhile, we will strengthen the energy storage team and the R&D of energy storage products and systems, further enhance our team and product system, and develop energy storage customers deeply; carry out extensive establishment of energy storage industry supply chain resources to form complementary advantages, with an aim to develop energy storage into a core business of the Group as soon as possible.

FINANCIAL POSITION AND OPERATING RESULTS

In 2023, the Group maintained its wind power generation and operation and maintenance business and actively explored market development of the energy storage industry. The principal operating business was adversely affected by the business environment, but continued to develop steadily.

REVENUE

In 2023, the Group recorded a total revenue of RMB284.1 million, representing an increase of 29% from RMB219.9 million in 2022, mainly due to the increase in the number of pitch systems delivered and the growth of the Group’s energy storage business in 2023, resulting in an increase in the overall business revenue.

The table below sets forth a breakdown of the Group's revenue during the reporting period:

	As of 31 December 2023 RMB'000	As of 31 December 2022 RMB'000
Pitch control systems related integration, manufacture and sales	217,569	172,888
Wind power generation	17,471	18,483
Wind farm operation and maintenance	19,921	23,800
Energy storage	29,114	3,778
Others	—	1,000
	<hr/>	<hr/>
Total	<u>284,075</u>	<u>219,949</u>

In 2023, revenue generated from the pitch control system business amounted to approximately RMB217.6 million, representing an increase of approximately RMB44.7 million or approximately 26% from 2022, which was mainly due to the increase in orders for pitch control systems undertaken and delivered.

In 2023, revenue generated from the wind power generation business amounted to RMB17 million, relatively consistent with in 2022.

In 2023, revenue generated from wind farm operation and maintenance business amounted to RMB20 million, representing a decrease of approximately RMB4 million or approximately 16% from 2022, which was mainly due to the decrease in the Group's maintenance business profit and the withdrawal of the operation and maintenance department, resulting in a decrease in service income.

In 2023, revenue generated from energy storage business amounted to RMB29 million, representing a significant increase from RMB4 million in 2022, which was mainly due to the increase in sales of energy storage products during the year.

COST OF SALES

In 2023, the Group's cost of sales amounted to RMB257 million, representing an increase of RMB65 million from the cost of sales of RMB192 million in 2022.

Among them, the cost of sales of the pitch control systems business mainly consisted of raw material costs, staff costs and depreciation. The cost of sales of the Group's pitch control systems business amounted to approximately RMB212 million in 2023, representing an increase of RMB50 million or 31% from RMB162 million in 2022, mainly due to the increase in sales revenue of the pitch control system business.

The cost of sales of the wind power generation business mainly included depreciation, staff costs and the maintenance of spare parts and components after the warranty period. In 2023, the cost of sales of wind power generation business amounted to RMB9 million, which was relatively the same as in 2022.

The cost of sales of the wind farm operation and maintenance business mainly included raw material costs and staff costs. In 2023, the total cost of sales of the Group's operation and maintenance business amounted to RMB14.6 million, representing a decrease of RMB4 million or approximately 21% from approximately RMB18.4 million in 2022, which was mainly due to the decrease in revenue generated from wind farm operation and maintenance business, resulting in a decrease in related cost.

The cost of sales of the energy storage business mainly included raw material costs, staff costs and depreciation. In 2023, the cost of sales of the energy storage business amounted to approximately RMB22 million, representing an increase of RMB19 million from the cost of sales of such business of approximately RMB3 million in 2022, which was mainly due to the increase in raw material costs and staff costs as a result of the development of the energy storage business.

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2023, the Group's gross profit amounted to approximately RMB27 million, representing a decrease of approximately RMB1 million or 2% from the gross profit of approximately RMB28 million in 2022, which was mainly due to the decrease in gross profit of the pitch control systems business. The overall gross profit margin decreased from 13% in 2022 to 9% in 2023, which was mainly due to the decrease in gross profit margin of the pitch control system business.

The gross profit margin of the pitch control systems business decreased from 6.5% in 2022 to 3% in 2023, which was mainly due to the increase in the price of raw materials and the reduction in product prices.

In 2023, the gross profit margin of the wind power generation business was approximately 48%, representing a decrease of 4 points from the gross profit margin of 51.6% in 2022, which was mainly due to the decrease in revenue of wind power generation while the depreciation remained stable in 2023.

In 2023, the gross profit margin of the wind farm operation and maintenance business was approximately 27%, representing an increase of 4 points from the gross profit margin of 23% in 2022, which was mainly due to the decrease in staff costs as a result of the decrease in the number of operation and maintenance personnel.

In 2023, the gross profit margin of the energy storage business was approximately 26%, which was the same as that of 2022 of approximately 26%.

OTHER REVENUE

In 2023, the Group's other revenue amounted to approximately RMB4 million, representing a decrease of approximately RMB2 million from that of approximately RMB6 million in 2022, which was mainly due to the decrease in the government grants received.

SELLING AND DISTRIBUTION EXPENSES

In 2023, the Group's selling and distribution expenses amounted to approximately RMB8 million, representing an increase of approximately RMB2 million from approximately RMB6 million in 2022, which was mainly due to the recruitment of a sales team to develop the Group's energy storage business in 2023.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In 2023, the Group's administrative and other operating expenses amounted to approximately RMB31 million, representing an increase of approximately RMB16 million from RMB15 million in 2022, which was mainly due to an increase in staff costs and expenses as a result of the development of the energy storage business.

FINANCE COSTS

Finance costs mainly represent interest expenses on bank loans and other borrowings from a related party and third parties. In 2023, the Group's finance costs amounted to approximately RMB3 million, representing an increase of approximately RMB1 million or approximately 54% from approximately RMB2 million in 2022, which was mainly due to an increase in certain bank loans and certain borrowings from a related party as a result of the Group's new investment in energy storage projects.

INCOME TAX

In 2023, the Group's income tax expense amounted to approximately RMB1 million (2022: approximately RMB2 million). The effective tax rate was approximately 7% and approximately 26% for the current year and the previous year, respectively. The change in effective tax rate was mainly due to unrecognised deferred tax assets arising from tax losses of Jiangsu Nature Zhenyuan Energy Storage Technology Co., Ltd., a subsidiary of the Group.

LOSS FOR THE YEAR

Based on the above reasons, the Group recorded a net loss of approximately RMB12.5 million in 2023, representing a decrease of approximately RMB17.9 million from the net profit of approximately RMB5.4 million in 2022. The loss of the Group for the FY2023 was mainly attributable to our energy storage business having incurred expenses for the preparation period during FY2023; meanwhile, the market competition has resulted in a decrease in the gross profit margin for the sales of pitch control system products.

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

In 2023, loss attributable to equity shareholders of the Company amounted to approximately RMB10.1 million, representing a decrease of approximately RMB15.5 million from the profit attributable to equity shareholders of the Company of approximately RMB5.4 million in 2022.

GEARING RATIO

Gearing ratio is calculated as the Group's total liabilities divided by total assets. In 2023, the Group's gearing ratio was approximately 50%, representing an increase of 11% from the gearing ratio of 39% in 2022, which was mainly due to the increase in bank loans and other borrowings.

LIQUIDITY AND CAPITAL SOURCE

The working capital of the Group is derived from the cash flows generated from our operating activities, the existing cash and cash equivalents of the Group, bank loans and net proceeds from listing. After careful financial management and analysis, our Directors believe that the Group has sufficient working capital to satisfy its operating and financial needs at present and in the next full year.

CASH FLOWS

In 2023, the Group's cash and cash equivalents amounted to approximately RMB55.8 million, representing an increase of approximately RMB11.9 million or approximately 27% from approximately RMB43.9 million in 2022, which was mainly due to the new borrowings of the Group.

CAPITAL EXPENDITURES

In 2023, the Group's capital expenditures amounted to a total of approximately RMB26.4 million (2022: RMB6.5 million), which was mainly due to the acquisition of energy storage production lines and other fixed assets by the Group.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS BY THE GROUP

During the year, the Group's subsidiaries were granted new short-term borrowings of RMB9.9 million, which were secured by the intellectual property rights of the Group's subsidiaries.

HUMAN RESOURCES

The Group has offices in Beijing, Shanghai, Wuxi, Shenzhen, Hong Kong and Inner Mongolia. As at 31 December 2023, the Group employed a total of 151 employees (31 December 2022: 218 employees), all of which entered into labour contracts. According to the PRC Labour Law and the relevant laws and regulations, the contracts of such employees expressly stipulate the position, responsibilities, remuneration, staff benefit, training, obligation of confidentiality and other related matters of each employee.

POTENTIAL RISK EXPOSURES

Policy uncertainty risk

New energy power industry is significantly policy driven. If there is any adverse changes in the relevant supporting policy system, the whole new energy industry chain will be adversely affected, and lead to a slowdown in demand, insufficient investments in sectors such as pitch control systems, operation and maintenance and energy storage, and prolonged settlement of outstanding tariff premiums for the sales of wind power, which in turn may adversely affect the Company's operating results and its financial position, as well as its cash flow.

Financial risk

If the Group fails to generate sufficient cash flows from its business execution, it may materially affect the normal management and operations of the Group. In addition, accounts receivable and bills receivable are affected by the uncertainty of the operation of our customers, which lead to the risk of delayed cash collection. The Group will strictly adhere to its cash management system and credit policy, actively follow up on the credit period of accounts receivable and customer operation status and monitor the real-time cash status on an ongoing basis, so as to effectively control the financial risk.

Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of changes in foreign exchange rates. Exchange rate risk arises from financial instruments denominated in foreign currencies other than the functional currency.

The Group operates primarily in the PRC and its main businesses are settled in Renminbi. However, the Company is still exposed to foreign exchange risk arising from the recognised assets and liabilities in foreign currencies and future transactions in foreign currencies (assets and liabilities and future transactions are mainly denominated in USD). The Group has not entered into any forward foreign exchange contracts to hedge its foreign exchange risk, but management will continue to monitor foreign exchange risk and take prudent measures to reduce foreign exchange risk.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 20 October 2020, for which the Company issued 62.5 million new shares. After deducting related listing expenses, the Company received net proceeds from listing of approximately HK\$112.6 million (approximately RMB98.2 million). Such net proceeds are intended to be used in the same way and proportion as disclosed in the section headed “Future plans and use of proceeds” in the prospectus. Further details of the use of proceeds are set out in the section headed “Use of Proceeds” in the prospectus.

As of 31 December 2023, the Group has fully utilised the net proceeds. As at 31 December 2023, to the knowledge of the Directors, the intended use of the proceeds last year as stated in the section headed “Use of Proceeds” in the prospectus had no any material changes.

The following table sets out the Group's usage of the net proceeds during the period between the listing date and 31 December 2023:

Use stated in the prospectus	Net proceeds	Remaining net	Net proceeds	Remaining net	Net proceeds	Gross net	Remaining net	Net proceeds	Gross net	Remaining net	Estimated	
	utilised for the year ended 31 December 2020	proceeds available as at 31 December 2020	utilised for the year ended 31 December 2021	proceeds available as at 31 December 2021	utilised for the year ended 31 December 2022	proceeds utilised as of 31 December 2022	proceeds available as at 31 December 2022	utilised as of 31 December 2023	proceeds utilised as of 31 December 2023	proceeds available as at 31 December 2023	schedule for full utilisation of the remaining net proceeds	
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)		
(1) Purchase core components and raw materials necessary for the production of customised high-voltage pitch control systems to fulfill the expected purchase volume for Jiangyin Envision pursuant to our binding ten-year framework agreement	17.9	—	17.9	17.9	—	—	17.9	—	—	17.9	—	N/A
(2) Diversify our customer base in the pitch control system market by increasing our marketing efforts	3.4	—	3.4	2.1	1.3	1.3	3.4	—	—	3.4	—	N/A
(3) Invest into the development of a new distributed wind farm by Lingqiu Fengyuan in Lingqiu, Datong, Shanxi	31.3	—	31.3	31.3	—	—	31.3	—	—	31.3	—	N/A
(4) Recruit 70 additional service personnel to expand our wind farm operation and maintenance services	3.6	—	3.6	0.24	3.36	3.36	3.6	—	—	3.6	—	N/A
(5) Further strengthen our R&D capabilities to enrich our pitch control systems and solutions offering (Note 2)	10.9	—	10.9	2.0	8.9	4.1	6.1	4.8	4.8	10.9	—	N/A
(6) Full repayment of a loan due to a third party by our Duolun Wind Farm	21.4	—	21.4	21.4	—	—	21.4	—	—	21.4	—	N/A
(7) General working capital	9.6	—	9.6	5.7	3.9	3.9	9.6	—	—	9.6	—	N/A

(Note 1)

Note 1: As disclosed in the prospectus, after deducting underwriting fees and relevant expenses paid by the Company and assuming the over-allotment option is not exercised, the estimated net proceeds from the initial public offering amounted to RMB100.3 million. The actual net proceeds of the Company amounted to approximately RMB98.2 million as at 31 December 2021. Save for the net proceeds from global offering intended for (1) the investment into the development of a new distributed wind farm in Lingqiu, Datong, Shanxi; and (2) the full repayment of a loan due to a third party by our Duolun Wind Farm, the Company intended to make adjustment for the difference of approximately RMB2.1 million according to the same method and proportion of use of proceeds as disclosed in the section headed "Future plans and use of proceeds" in the prospectus.

Note 2: As of 31 December 2023, the Group has fully utilised the net proceeds for the purchase of three sets of workstations, two sets of test equipment, one set of software and research and development and office equipment, as well as for the payment of salaries to eight newly recruited core technical staff.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

The Board announced that the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has confirmed that Mr. Pan Honghuang (“**Mr. Pan**”) is qualified to act as the company secretary of the Company under Rules 3.28 and 8.17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Accordingly, Ms. Tang Wing Shan Winza has resigned as the joint company secretary and one of the authorised representatives of the Company (the “**Authorised Representative**”) under Rules 3.28 and 3.05 of the Listing Rules respectively, and Mr. Pan will act as the sole Company Secretary and an Authorised Representative respectively with effect from 28 February 2024. For details, please refer to the Company’s announcement dated 28 February 2024.

Save as disclosed, there was no significant event after the reporting period and up to the date of this announcement.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed above, the Group did not have any significant investment or material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the year ended 31 December 2023 (the “**Year**”), neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the “**CG Code**”). To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2023.

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.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

FINAL DIVIDEND

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

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee has three members comprising three independent non-executive Directors, being Ms. Hung Pui Yu (“**Ms. Hung**”), Mr. Kang Jian and Mr. Li Shusheng. The Audit Committee is chaired by Ms. Hung, who has appropriate professional qualifications and experience as required by Rule 3.10(2) of the Listing Rules. The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2023 and the financial statements for the year ended 31 December 2023 prepared in accordance with the IFRSs.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

ANNUAL GENERAL MEETING

The 2024 annual general meeting will be held on Thursday, 27 June 2024 (the “**2024 AGM**”). Notice of the 2024 AGM will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

From Monday, 24 June 2024 to Thursday, 27 June 2024 (both days inclusive), during that period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the 2024 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 21 June 2024 for registration of transfer.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.natureenergytech.com and the Stock Exchange's website at www.hkexnews.hk. The annual report for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
China Nature Energy Technology Holdings Limited
Cheng Liquan Richard
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Cheng Liquan Richard and Mr. Cheng Li Fu Cliff, two non-executive Directors, namely, Mr. Li Hao and Ms. Cheng Li Qin, and three independent non-executive Directors, namely, Ms. Hung Pui Yu, Mr. Kang Jian and Mr. Li Shusheng.