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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board of Directors (the “**Directors**” or “**Board**”) of China Nature Energy Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	49,241	123,806
Cost of sales		<u>(49,198)</u>	<u>(114,198)</u>
Gross profit		43	9,608
Other revenue	5(a)	830	925
Other net (loss)/gain	5(b)	(10)	41
Selling and distribution expenses		(4,338)	(3,441)
Administrative and other operating expenses		<u>(11,513)</u>	<u>(10,848)</u>
Loss from operations		(14,988)	(3,715)
Net finance costs	6(a)	<u>(1,714)</u>	<u>(1,277)</u>
Loss before taxation	6	(16,702)	(4,992)
Income tax	7	<u>1,632</u>	<u>(475)</u>
Loss for the period		<u>(15,070)</u>	<u>(5,467)</u>
Attributable to:			
Equity shareholders of the Company		(13,343)	(4,417)
Non-controlling interests		<u>(1,727)</u>	<u>(1,050)</u>
Loss for the period		<u>(15,070)</u>	<u>(5,467)</u>
Loss per share	8		
Basic and diluted (RMB)		<u>(0.053)</u>	<u>(0.018)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	(15,070)	(5,467)
Other comprehensive income for the period (after tax adjustment):		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange difference on translation of company level financial statements	205	768
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	(223)	(779)
Other comprehensive income for the period	(18)	(11)
Total comprehensive income for the period	(15,088)	(5,478)
Attributable to:		
Equity shareholders of the Company	(13,361)	(4,428)
Non-controlling interests	(1,727)	(1,050)
Total comprehensive income for the period	(15,088)	(5,478)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	120,520	125,672
Contract assets		13,955	13,831
Other receivables	11	300	600
Deferred tax assets		3,161	1,123
		<u>137,936</u>	<u>141,226</u>
Current assets			
Assets held for sale		7,048	7,048
Inventories	10	49,555	12,989
Contract assets		42,465	36,874
Trade and other receivables	11	154,778	218,922
Loans to related parties and a third party	12	25,439	25,359
Cash and cash equivalents	13(a)	36,701	55,824
Pledged deposits	13(b)	10,674	20,097
		<u>326,660</u>	<u>377,113</u>
Current liabilities			
Bank loans and other borrowings	14	93,606	68,561
Trade and other payables	15	110,754	169,749
Lease liabilities		2,954	4,310
Contract liabilities		806	995
Current taxation		206	463
		<u>208,326</u>	<u>244,078</u>
Net current assets		<u>118,334</u>	<u>133,035</u>
Total assets less current liabilities		<u>256,270</u>	<u>274,261</u>

		At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
Non-current liabilities			
Trade and other payables	15	835	2,093
Lease liabilities		8,969	10,614
		<u>9,804</u>	<u>12,707</u>
NET ASSETS		<u>246,466</u>	<u>261,554</u>
CAPITAL AND RESERVES			
Share capital		2,168	2,168
Reserves		242,363	255,724
Total equity attributable to equity shareholders of the Company		244,531	257,892
Non-controlling interests		1,935	3,662
TOTAL EQUITY		<u>246,466</u>	<u>261,554</u>

NOTES

1 GENERAL INFORMATION

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**”).

2 BASIS OF PREPARATION

This interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 28 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the International Financial Reporting Standards (“**IFRS**”).

The interim financial report is unaudited.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments 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:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the research and development, integration, manufacturing 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 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by business lines is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
— Sales of pitch control systems and related components	19,921	103,021
— Sales of wind power	7,704	9,523
— Wind farm operation and maintenance business	7,319	10,711
— Energy storage business	14,297	551
	<u>49,241</u>	<u>123,806</u>

The Group's revenue from contracts with customers were recognised at point in time for the six months ended 30 June 2024 and 2023. Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 4(b)(iii).

(b) Segment reporting

The Group manages its businesses by division, which is organised by business (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 four 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 the 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 basis:

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

The measure used for reporting segment profit/loss is gross profit/loss.

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 period is set out below:

Six months ended 30 June 2024					
	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>	Total <i>RMB'000</i>
Reportable segment revenue	<u>19,921</u>	<u>7,704</u>	<u>7,319</u>	<u>14,297</u>	<u>49,241</u>
Reportable segment profit/ (loss)	<u>(4,711)</u>	<u>3,423</u>	<u>1,701</u>	<u>(370)</u>	<u>43</u>
Six months ended 30 June 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>	Total <i>RMB'000</i>
Reportable segment revenue	<u>103,021</u>	<u>9,523</u>	<u>10,711</u>	<u>551</u>	<u>123,806</u>
Reportable segment profit	<u>2,552</u>	<u>5,242</u>	<u>1,664</u>	<u>150</u>	<u>9,608</u>
As at 30 June 2024					
	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>	Total <i>RMB'000</i>
Reportable segment assets	<u>97,035</u>	<u>138,967</u>	<u>1,049</u>	<u>144,522</u>	<u>381,573</u>
As at 31 December 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>	Total <i>RMB'000</i>
Reportable segment assets	<u>153,804</u>	<u>136,918</u>	<u>4,829</u>	<u>113,337</u>	<u>408,888</u>

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	<u>49,241</u>	<u>123,806</u>
Consolidated revenue	<u><u>49,241</u></u>	<u><u>123,806</u></u>
Profit		
Reportable segment profit	43	9,608
Other revenue	830	925
Other net (loss)/gain	(10)	41
Selling and distribution expenses	(4,338)	(3,441)
Administrative and other operating expenses	(11,513)	(10,848)
Net finance costs	<u>(1,714)</u>	<u>(1,277)</u>
Consolidated loss before taxation	<u><u>(16,702)</u></u>	<u><u>(4,992)</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 all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

5 OTHER REVENUE AND OTHER NET GAIN/(LOSS)

(a) Other revenue

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
VAT refund (<i>Note</i>)	789	884
Government subsidies	6	25
Others	<u>35</u>	<u>16</u>
	<u><u>830</u></u>	<u><u>925</u></u>

Note:

Pursuant to the Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industries (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 six months ended 30 June 2024 and 2023, the Group received such VAT refund of RMB17,000 and RMB406,000 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 six months ended 30 June 2024 and 2023, the Group received such VAT refund of RMB772,000 and RMB478,000 respectively.

(b) Other net (loss)/gain

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Net exchange gain	17	66
Others	(27)	(25)
	<u>(10)</u>	<u>41</u>

6 LOSS BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest expenses on bank loans	381	240
Interest expenses on loans due to third parties	827	826
Interest expenses on loans due to a related party	500	—
Interest expenses on lease liabilities	329	348
	<u>2,037</u>	<u>1,414</u>
Interest income	(323)	(137)
Net finance costs	<u>1,714</u>	<u>1,277</u>

(b) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of inventories recognised as expenses (<i>Note</i>)	44,917	108,166
Depreciation charges		
— owned property, plant and equipment	5,305	4,135
— right-of-use assets	2,937	2,801
(Reversal of)/provision for loss allowance on contract assets and trade and other receivables	(8)	160

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 for each of these types of expenses.

7 INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the year	406	1,200
Deferred tax		
Origination and reversal of temporary differences	(2,038)	(725)
	(1,632)	475

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB13,343,000 (six months ended 30 June 2023: RMB4,417,000) and the weighted average of 250,000,000 ordinary shares (2023: 250,000,000 shares) in issue during the interim period.

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2024 and 2023 are the same as the basic loss per share as there were no potentially dilutive ordinary shares issued.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of RMB3,090,000 (six months ended 30 June 2023: RMB16,988,000). No Items of property, plant and equipment were disposed of during the six months ended 30 June 2024 and 2023.

10 INVENTORIES

During six months ended 30 June 2024, RMB927,000 (six months ended 30 June 2023: RMB nil) has been recognised as a reduction in the amount of inventories recognised as an expense in profit or loss during the period.

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Current		
Trade and bills receivable, net of loss allowance	140,998	212,660
Prepayments	2,124	2,150
Other receivables	11,656	4,112
Total	154,778	218,922
Non-current		
Other receivables	300	600
	155,078	219,522

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

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Measured at amortised cost		
— Trade receivables	129,720	165,003
— Bills receivable	3,158	39,789
Measured at fair value through other comprehensive income (FVOCI)		
— Bills receivable (<i>Note</i>)	10,181	10,181
	143,059	214,973
Less: loss allowance	(2,061)	(2,313)
	<u>140,998</u>	<u>212,660</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.

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:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Within 1 year	82,005	165,718
Over 1 year but within 2 years	12,051	12,376
Over 2 years but within 3 years	12,376	14,136
Over 3 years but within 4 years	14,136	20,430
Over 4 years but within 5 years	20,430	—
	<u>140,998</u>	<u>212,660</u>

Generally, the Group's trade receivables are due within 30 to 180 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid company, which therefore takes a relatively long time for settlement. As at 30 June 2024, the tariff premium receivables included in the trade and other receivables amounted to RMB64,134,000 (31 December 2023: RMB58,993,000).

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 has come into force since 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.

12 LOANS TO RELATED PARTIES AND A THIRD PARTY

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Loans to related parties	24,300	24,300
Loans to a third party	1,330	1,250
	<u>25,630</u>	<u>25,550</u>
Less: loss allowance	(191)	(191)
	<u><u>25,439</u></u>	<u><u>25,359</u></u>

As at 30 June 2024, loans to related parties and a third party were interest-free, unsecured and repayable no later than 31 December 2024.

As at 30 June 2024, loss allowance recognised for loans to related parties and a third party amounted to RMB191,000 (2023: RMB191,000).

13 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

(a) Cash and cash equivalents comprise:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Cash at bank	<u><u>36,701</u></u>	<u><u>55,824</u></u>

As of the end of the reporting period, cash and cash equivalents situated in Chinese Mainland amounted to RMB28,666,000 (2023: RMB44,573,000). Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

(b) Pledged deposits comprise:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Pledged deposits for issuance of bills payable	<u>10,674</u>	<u>20,097</u>

The pledged bank deposits will be released upon the settlement of bills payable.

14 BANK LOANS AND OTHER BORROWINGS

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Bank loans (<i>Note (a) below</i>)	44,695	19,700
Loans due to third parties (<i>Note (b) below</i>)	28,911	28,861
Loans due to a related party (<i>Note (c) below</i>)	<u>20,000</u>	<u>20,000</u>
	<u>93,606</u>	<u>68,561</u>

(a) Bank loans

The maturity profile for the interest-bearing bank loans of the Group at the end of each reporting period is as follows:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Short-term bank loans	<u>44,695</u>	<u>19,700</u>
Within 1 year or on demand	<u>44,695</u>	<u>19,700</u>

(b) Loans due to third parties

At 30 June 2024, loans due to third parties represented loans, which were subject to an interest rate ranging from 3.5% to 7% (2023: 3.5% to 7%) per annum, were unsecured and have no fixed repayment terms or repayable within one year.

(c) Loans due to a related party

At 30 June 2024, loans due to a related party represented loans, which were subject to an interest rate at 5% per annum, were unsecured and have a maturity term of one year.

15 TRADE AND OTHER PAYABLES

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Current		
Trade payables (<i>Note (a) below</i>)	59,357	77,581
Bills payable	10,294	45,846
Other payables (<i>Note (b) below</i>)	41,103	46,322
	<u>110,754</u>	<u>169,749</u>
Non-current		
Trade payables	835	2,093
	<u>111,589</u>	<u>171,842</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:

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Within 3 months	27,297	48,946
3 to 6 months	24,931	26,138
6 to 12 months	6,466	1,691
Over 12 months	663	806
	<u>59,357</u>	<u>77,581</u>

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

(b) Other payables

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Interest payable	29,786	28,459
Payables for staff related costs	2,215	4,853
Advances from disposal of joint ventures	5,133	5,133
Others	3,969	7,877
	<u>41,103</u>	<u>46,322</u>

16 DIVIDENDS

No dividend was paid or declared by the Company for the six months ended 30 June 2024 and 2023.

17 CAPITAL COMMITMENTS

There are no significant capital commitments outstanding at the respective period end not provided for at 30 June 2024 and 31 December 2023.

18 MATERIAL RELATED PARTY TRANSACTIONS

	At 30 June 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Guarantees to banks for granting banking facilities	<u>29,562</u>	<u>17,900</u>

Certain bank facilities granted to the Group in Note 14(a) were guaranteed by Mr. Cheng Lifu Cliff, the executive director of the Company, and his spouse, Ms. Cheng Ning, for the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a wind power and pitch control system solution provider in the PRC. We also invest and operate in the areas of research and development (“R&D”), production and integration of electrochemical energy storage system products. We are dedicated to value creation with equipment, resources, technology, and innovation through synergistic business models such as provision of integrated energy solutions and equipment supply.

INDUSTRY OVERVIEW

The development of the global energy system is showing a trend of “decarbonization”, with new energy sources such as wind power and photovoltaic as representatives of clean energy, which will gradually replace fossil energy as the main natural energy. According to the “Notice on the Action Plan for Carbon Peak Before 2030”, the proportion of non-fossil energy consumption will reach about 25%, and the total installed capacity of wind power and solar energy will reach more than 1.2 billion kilowatts by 2030. To achieve the goals of carbon peak by 2030 and carbon neutrality by 2060 as scheduled, the wind power industry will usher in long-term high-speed development opportunities.

The stochastic and intermittent nature of wind and solar energy will lead to a reduction in the flexibility and insufficient regulation capability of the entire high percentage clean energy system. In order to ensure the safe and economic operation of the system, it is necessary to introduce energy storage as a new source of regulation capability. The positioning of energy storage technology in the power system is mainly to utilize its power regulation and energy storage functions, directly or indirectly provide regulation capacity to enhance the flexibility, economy and safety of the power system. According to the statistics of China Energy Storage Alliance (CNESA), in terms of new energy storage installations globally, electrochemical energy storage is showing a rapid growth trend, with the compound annual growth rate of the global electrochemical energy storage installations reaching 61.87% between 2018 and 2022.

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 and motors, according to the requirements of our customers, and generate revenue from product sales and integration processes. 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.

During the six months ended 30 June 2024, we continued to maintain in-depth cooperation with our quality customers in an effort to expand our market share in the field of pitch control systems. The Group's pitch control system business already covers five of the top ten wind turbine manufacturers in the PRC. For the six months ended 30 June 2024, the Group delivered a total of 187 sets of pitch control system products, and 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 a centralised wind farm and 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.

During the six months ended 30 June 2024, the semi-annual utilisation hours of our Duolun Wind Farm were 1,160 hours, and the semi-annual total wind power generated and admitted to the power grid was 22.64 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.

Regarding details of the disposal of the decentralized distributed wind farm project invested and developed by the Group through Lingqiu County Fengyuan Energy Technology Company Limited* (靈丘縣豐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 as of 30 June 2024 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 the first half of 2024, the Group took the R&D, production and integration of energy storage system products as a breakthrough. We established a core team, renovated the plant and put it into operation, and implemented 2 order projects, gaining customer recognition for energy storage products.

OUTLOOK OF THE GROUP

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; and 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 the first half of 2024, 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

During the six months ended 30 June 2024, the Group recorded a total revenue of approximately RMB49 million, representing a decrease of 60% from approximately RMB124 million in the first half of 2023, which was mainly due to the decrease in sales orders of the Group's pitch control systems business during the reporting period.

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

	Six months ended 30 June 2024 RMB'000	Six months ended 30 June 2023 RMB'000
Pitch control systems related integration, manufacture and sales	19,921	103,021
Wind power generation	7,704	9,523
Wind farm operation and maintenance	7,319	10,711
Energy storage	14,297	551
Total	<u>49,241</u>	<u>123,806</u>

In the first half of 2024, revenue generated from the pitch control system business amounted to approximately RMB20 million, representing a decrease of approximately RMB83 million or approximately 81% from the first half of 2023. This was mainly due to the delay in the approval and commencement of construction of wind power projects in the first half of 2024, the lack of market demand at the current stage and the decrease in orders.

Revenue from the wind power generation business for the first half of 2024 amounted to approximately RMB8 million, representing a decrease of approximately RMB2 million or approximately 19% from the first half of 2023. This was mainly due to the reduction in overall electricity consumption in 2024, which limits the amount of electricity admitted to the power grid.

Revenue from the wind farm operation and maintenance business amounted to approximately RMB7 million in the first half of 2024, representing a decrease of approximately RMB3 million or approximately 32% as compared to the first half of 2023, which was mainly attributable to the decrease in number of orders of lube oil for wind power generators.

Revenue from the energy storage business was approximately RMB14 million for the first half of 2024, and the energy storage business is in the expansion stage.

Cost of Sales

For the six months ended 30 June 2024, the Group's cost of sales amounted to approximately RMB49 million, representing a decrease of approximately RMB65 million or approximately 57% as compared to the first half of 2023, which was mainly due to the decrease in costs brought about by the decrease in orders for the pitch system.

For the six months ended 30 June 2024, the cost of sales of the Group's business segments were as follows:

The cost of sales of the pitch control system business mainly consists of raw material costs, staff costs and depreciation. The cost of sales of pitch control system business amounted to approximately RMB25 million, representing a decrease of approximately RMB75 million or approximately 75% as compared to the first half of 2023, which was mainly due to the decrease in cost as a result of the decrease in orders.

The cost of sales of the wind power generation business mainly includes depreciation and staff cost. The cost of sales of wind power generation business amounted to approximately RMB4.3 million, which remained generally consistent with the first half of 2023.

The cost of sales of the wind farm operation and maintenance business mainly includes raw material costs and staff costs. The cost of sales of the wind farm operation and maintenance business amounted to approximately RMB5.6 million, representing a decrease of approximately RMB3.4 million from approximately RMB9 million in the first half of 2023, which was mainly attributable to the decrease in cost as a result of the decrease in orders.

The cost of sales of the energy storage business mainly included raw material costs, staff costs and depreciation, which in the first half of 2024 amounted to approximately RMB15 million.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, the Group's gross profit amounted to approximately RMB0 million, representing a decrease of approximately 100% as compared to approximately RMB10 million for the first half of 2023. The Group's overall gross profit margin was 0%, representing a decrease of approximately 8% as compared to the first half of 2023, which was mainly due to the decrease in gross profit margin of the pitch control system.

For the six months ended 30 June 2024, the gross profit and gross profit margin of the Group's business segments were as follows:

The gross profit of pitch control system business amounted to approximately RMB-5 million, representing a decrease of approximately RMB8 million as compared to the first half of 2023. The gross profit margin of the pitch control business decreased from 3% in the first half of 2023 to -24% in the first half of 2024. This was mainly due to the reduction of sales while the fixed costs remained stable.

The gross profit of wind power generation business amounted to approximately RMB3 million, representing a decrease of approximately RMB2 million as compared to the first half of 2023. This was mainly due to the decrease in revenue as a result of the decrease in the amount of electricity admitted to the power grid, while the costs, such as depreciation, were fixed and unchanged.

The gross profit of wind farm operation and maintenance business amounted to approximately RMB2 million, which remained consistent compared to the first half of 2023.

The gross profit margin of energy storage business was approximately -3%, which was mainly due to the higher unit fixed costs as a result of the lack of business.

OTHER REVENUE

For the six months ended 30 June 2024, the Group's other revenue amounted to approximately RMB1 million, which remained consistent compared to approximately RMB1 million in the first half of 2023.

SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2024, the Group's selling and distribution expenses amounted to approximately RMB4 million, representing an increase of RMB1 million as compared to approximately RMB3 million in the first half of 2023, which was mainly attributable to the increase in business promotion expenses and personnel during the expansion period of the energy storage business in the first half of 2024.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

For the six months ended 30 June 2024, the Group's administrative and other operating expenses amounted to approximately RMB12 million, which remained consistent compared to approximately RMB11 million in the first half of 2023.

FINANCE COSTS

Finance costs mainly represent the interest expenses on bank loans and loans due to third parties. For the six months ended 30 June 2024, the Group's finance costs amounted to approximately RMB2 million, representing an increase of approximately RMB1 million as compared to approximately RMB1 million in the first half of 2023, which was mainly attributable to the increase in loans for the energy storage project.

GEARING RATIO

Gearing ratio is calculated as the Group's total liabilities divided by total assets. For the six months ended 30 June 2024, the Group's gearing ratio was 47%, which remained consistent compared to the ratio at 31 December 2023.

LOSS FOR THE REPORTING PERIOD

As of 30 June 2024, the Group's loss for the period amounted to approximately RMB15 million, representing an increase of approximately RMB10 million from loss of approximately RMB5 million in the first half of 2023.

LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

As of 30 June 2024, the loss attributable to the equity shareholders of the Company amounted to approximately RMB13 million. This represented an increase of approximately RMB9 million as compared to the loss of approximately RMB4 million for the first half of 2023.

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 Company, bank loans and net proceeds from listing. After prudent analysis, our Directors believe that the Group has sufficient working capital to satisfy its operating needs for the present and for the year ended 31 December 2024.

As at 30 June 2024, the balance of the pledged bank deposits and cash and cash equivalents amounted to approximately RMB47 million, representing a decrease of approximately RMB29 million from approximately RMB76 million as at 31 December 2023. The bank and other borrowings of the Group as at 30 June 2024 were denominated in RMB and United States dollars, with an annual interest rate of 2.75%–7%. As at 30 June 2024, the interest-bearing bank and other borrowings of the Group amounted to approximately RMB94 million, representing an increase of approximately RMB25 million from approximately RMB69 million as at 31 December 2023.

CASH FLOWS

As of 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB37 million, representing a decrease of approximately RMB19 million from approximately RMB56 million as of 31 December 2023, which was mainly due to the settlement of the payables for the purchase of raw material for pitch control systems.

CAPITAL EXPENDITURES

In the first half of 2024, the Group's capital expenditures amounted to approximately RMB3 million, representing a decrease of approximately RMB17 million as compared to the capital expenditure of approximately RMB20 million in the first half of 2023. This was mainly due to the payment for the construction of the energy storage project and the renovation of the new plant in the previous year.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS BY THE GROUP

The balance of bank loans was approximately RMB10 million, which was secured by the intellectual property rights of the Group's subsidiary. As at 30 June 2024, the bank loan was not yet repaid by the Group's subsidiary.

HUMAN RESOURCES

The Group has offices in Beijing, Inner Mongolia, Shanghai, Wuxi, Shenzhen and Hong Kong. As at 30 June 2024, the Group employed a total of 174 employees (31 December 2023: 151 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 the employee.

POTENTIAL RISK EXPOSURES

Policy uncertainty risk

The wind power and energy storage industries are significantly policy driven. If there is any change in the supporting government policy of the country for the development of new energy, the whole new energy industry chain will be adversely affected, leading to a decrease in the demand and investment in sectors such as pitch control systems, investments in new energy and energy storage, which in turn may affect the Group's overall business and development strategies.

Financial risk

If the Group fails to generate sufficient cash flows from its business operation, it may materially affect the normal operation 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 by the Company. The Group will strictly adhere to its accounts receivable management and credit system, track the status of operation and payment progress of its customers and monitor the real-time cash status on an ongoing basis, so as to effectively control the financial risk.

Foreign exchange risk

The Group mainly operates in the PRC, and most of the transactions in the course of operation are denominated in Renminbi (“RMB”). As at 30 June 2024, the non-RMB assets are mainly cash and cash equivalents, which are denominated in Hong Kong dollars or U.S. dollars. The Group has not entered into any forward foreign exchange contracts to hedge foreign exchange risk, but the management will monitor the foreign exchange risk on an ongoing basis and adopt prudent measures to mitigate foreign exchange risk.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2024.

CORPORATE GOVERNANCE

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 (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code during the six months ended 30 June 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors’ securities transactions.

The specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2024.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company established the audit committee with written terms of reference in compliance with the CG Code (the “**Audit Committee**”). As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely 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 discussed with the management the accounting principles and policies adopted by the Group and has reviewed the Group’s unaudited interim consolidated financial statements for the six months ended 30 June 2024.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.natureenergytech.com and the Stock Exchange's website at www.hkexnews.hk. The interim report for the six months ended 30 June 2024 will be dispatched to the shareholders of the Company (if requested) 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 August 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.