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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 2023

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 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	4	123,806	89,712
Cost of sales		<u>(114,198)</u>	<u>(79,601)</u>
Gross profit		9,608	10,111
Other revenue	5(a)	925	5,120
Other net gain/(loss)	5(b)	41	(434)
Selling and distribution expenses		(3,441)	(2,074)
Administrative and other operating expenses		<u>(10,848)</u>	<u>(7,481)</u>
(Loss)/profit from operations		(3,715)	5,242
Net finance costs	6(a)	<u>(1,277)</u>	<u>(1,125)</u>
(Loss)/profit before taxation	6	(4,992)	4,117
Income tax	7	<u>(475)</u>	<u>(899)</u>
(Loss)/profit for the period		<u>(5,467)</u>	<u>3,218</u>
Attributable to:			
Equity shareholders of the Company		(4,417)	3,218
Non-controlling interests		<u>(1,050)</u>	<u>—</u>
(Loss)/profit for the period		<u>(5,467)</u>	<u>3,218</u>
(Loss)/earnings per share	8		
Basic and diluted (RMB)		<u>(0.018)</u>	<u>0.013</u>

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

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	<u>(5,467)</u>	<u>3,218</u>
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 financial statements of entities with functional currencies other than RMB	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	<u>(779)</u>	<u>(160)</u>
Other comprehensive income for the period	<u>(11)</u>	<u>(160)</u>
Total comprehensive income for the period	<u><u>(5,478)</u></u>	<u><u>3,058</u></u>
Attributable to:		
Equity shareholders of the Company	<u>(4,428)</u>	3,058
Non-controlling interests	<u>(1,050)</u>	<u>—</u>
Total comprehensive income for the period	<u><u>(5,478)</u></u>	<u><u>3,058</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		121,435	96,576
Prepayments for purchase of property, plant and equipment		2,875	—
Contract assets		4,177	3,882
Other receivables		500	200
Deferred tax assets		933	208
		<u>129,920</u>	<u>100,866</u>
Current assets			
Assets held for sale		7,048	7,048
Inventories		57,598	15,734
Contract assets		48	188
Trade and other receivables	9	234,335	226,156
Taxation recoverable		—	628
Loans to related parties and a third party		25,400	25,489
Cash and cash equivalents		30,403	43,911
Pledged deposits		18,906	21,706
		<u>373,738</u>	<u>340,860</u>
Current liabilities			
Bank loans and other borrowings		42,384	39,460
Trade and other payables	10	171,834	125,624
Lease liabilities		3,184	2,113
Contract liabilities		630	1,188
Current taxation		516	521
		<u>218,548</u>	<u>168,906</u>
Net current assets		<u>155,190</u>	<u>171,954</u>
Total assets less current liabilities		<u>285,110</u>	<u>272,820</u>

		At 31 December 2022	At 30 June 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Trade and other payables	10	1,008	1,986
Lease liabilities		3,809	14,599
		<u>4,817</u>	<u>16,585</u>
NET ASSETS		<u>268,003</u>	<u>268,525</u>
CAPITAL AND RESERVES			
Share capital		2,168	2,168
Reserves		265,835	261,407
Total equity attributable to equity shareholders of the Company		268,003	263,575
Non-controlling interests		—	4,950
TOTAL EQUITY		<u>268,003</u>	<u>268,525</u>

NOTES

(Expressed in Renminbi unless otherwise indicated)

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, manufacturing and sales of pitch control systems and related components, wind power generation, wind farm operation and maintenance business, provision of energy storage management solutions and provision of wind energy related consultancy services in the People’s Republic of China (the “**PRC**”).

2 BASIS OF PREPARATION

The 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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited.

The financial information relating to the financial year ended 31 December 2022 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 Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform — Pillar Two model rules*

In July 2023, the Hong Kong Institute of Certified Public Accountants (“HKICPA”) published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism.

None of these developments have 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, provision of energy storage management solutions and provision of wind energy related consultancy services. 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	
	2023	2022
	RMB’000	RMB’000
Revenue from contracts with customers within the scope of IFRS 15		
— Sales of pitch control systems and related components	103,021	68,574
— Sales of wind power	9,523	9,420
— Wind farm operation and maintenance business	10,711	11,661
— Provision of energy storage management solutions	551	57
	<u>123,806</u>	<u>89,712</u>

The Group's revenue from contracts with customers were recognised at point in time for the six months ended 30 June 2023 and 2022. 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, provision of energy storage management solutions and provision of wind energy related consultancy services). 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, manufacturing and sale of the pitch control systems and related components in wind turbines manufacturing;
- Sales of wind power: it engages in the sale 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 sale of wind farm consumables; and
- Provision of energy storage management solutions: it engages in the provision of energy storage management services and sales of related products.

(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, other current assets, prepayments for purchase of property, plant and equipment and property, 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 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 period is set out below:

	Six months ended 30 June 2023				Total RMB'000
	Sales of pitch control systems and related components RMB'000	Sales of wind power RMB'000	Wind farm operation and maintenance business RMB'000	Provision of energy storage management solutions RMB'000	
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>
	Six months ended 30 June 2022				Total RMB'000
	Sales of pitch control systems and related components RMB'000	Sales of wind power RMB'000	Wind farm operation and maintenance business RMB'000	Provision of energy storage management solutions RMB'000	
Reportable segment revenue	<u>68,574</u>	<u>9,420</u>	<u>11,661</u>	<u>57</u>	<u>89,712</u>
Reportable segment profit	<u>2,865</u>	<u>5,287</u>	<u>1,925</u>	<u>34</u>	<u>10,111</u>
	As at 30 June 2023				Total RMB'000
	Sales of pitch control systems and related components RMB'000	Sales of wind power RMB'000	Wind farm operation and maintenance business RMB'000	Provision of energy storage management solutions RMB'000	
Reportable segment assets	<u>243,311</u>	<u>134,698</u>	<u>2,007</u>	<u>40,951</u>	<u>420,968</u>
	As at 31 December 2022				Total RMB'000
	Sales of pitch control systems and related components RMB'000	Sales of wind power RMB'000	Wind farm operation and maintenance business RMB'000	Provision of energy storage management solutions RMB'000	
Reportable segment assets	<u>184,430</u>	<u>131,130</u>	<u>19,759</u>	<u>7,417</u>	<u>342,736</u>

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	<u>123,806</u>	<u>89,712</u>
Consolidated revenue	<u><u>123,806</u></u>	<u><u>89,712</u></u>
Profit		
Reportable segment profit	9,608	10,111
Other revenue	925	5,120
Other net gain/(loss)	41	(434)
Selling and distribution expenses	(3,441)	(2,074)
Administrative and other operating expenses	(10,848)	(7,481)
Net finance costs	<u>(1,277)</u>	<u>(1,125)</u>
Consolidated (loss)/profit before taxation	<u><u>(4,992)</u></u>	<u><u>4,117</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	
	2023	2022
	RMB'000	RMB'000
VAT refund (<i>Note i</i>)	884	805
Government subsidies (<i>Note ii</i>)	25	4,230
Others	<u>16</u>	<u>85</u>
	<u><u>925</u></u>	<u><u>5,120</u></u>

Notes:

- (i) Pursuant to Several Policies for Further 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 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 2023 and 2022, the Group received such VAT refund of RMB406,000 and RMB225,000 respectively.

Pursuant to Notice on VAT Policy for Wind Power (Caishui [2015] No.74), enterprises engaged in the sales of wind power electricity in the PRC are entitled to VAT refund of 50% as payment. During the six months ended 30 June 2023 and 2022, the Group received such VAT refund of RMB478,000 and RMB580,000 respectively.

- (ii) During the six months ended 30 June 2023 and 2022, the Group received unconditional government subsidies of RMB25,000 and RMB4,230,000 respectively, as encouragement of their contribution in technology development and local economy.

(b) Other net gain/(loss)

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net exchange gain	66	802
Idle cost on production suspension	—	(1,253)
Gain on disposal of property, plant and equipment	—	20
Others	(25)	(3)
	<u>41</u>	<u>(434)</u>

6 LOSS/(PROFIT) BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on bank loans	240	169
Interest expenses on loans due to third parties	826	952
Interest expenses on lease liabilities	348	274
	<u>1,414</u>	<u>1,395</u>
Interest income	(137)	(270)
Net finance costs	<u>1,277</u>	<u>1,125</u>

(b) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Cost of inventories recognised as expenses (<i>Note</i>)	108,166	73,063
Depreciation charges		
— owned property, plant and equipment	4,135	3,255
— right-of-use assets	2,801	2,103
Reversal/(provision) of loss allowance on contract assets and trade and other receivables	(160)	286
	<u>108,166</u>	<u>78,707</u>

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	
	2023	2022
	RMB'000	RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the year	1,200	942
Deferred tax		
Origination and reversal of temporary differences	(725)	(43)
	<u>475</u>	<u>899</u>

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/(EARNINGS) PER SHARE

(a) Basic loss/(earnings) per share

The calculation of basic (earnings) per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB4,417,000 (the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2022: RMB3,218,000) and the weighted average of 250,000,000 ordinary shares (2022: 250,000,000 shares) in issue during the interim period.

(b) Diluted loss/(earnings) per share

Diluted loss/(earnings) per share for the period ended 30 June 2023 and 2022 is the same as the basic loss/(earnings) per share as there were no potentially dilutive ordinary shares issued.

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Current		
Trade and bills receivable, net of loss allowance	225,556	222,969
Prepayments	1,849	1,643
Other receivables	6,930	1,544
	<hr/>	<hr/>
Total	234,335	226,156
	<hr/>	<hr/>
Non-current		
Other receivables	500	200
	<hr/>	<hr/>
	234,835	226,356
	<hr/> <hr/>	<hr/> <hr/>

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

Trade and bills receivable

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Measured at amortised cost		
— Trade receivables	165,659	144,123
— Bills receivable	35,024	31,554
Measured at fair value through other comprehensive income (FVOCI)		
— Bills receivable (<i>Note</i>)	<u>26,070</u>	<u>48,657</u>
	226,753	224,334
Less: loss allowance	<u>(1,197)</u>	<u>(1,365)</u>
	<u><u>225,556</u></u>	<u><u>222,969</u></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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 1 year	184,414	188,403
Over 1 year but within 2 years	12,654	14,136
Over 2 years but within 3 years	13,696	9,047
Over 3 years but within 4 years	<u>14,792</u>	<u>11,383</u>
	<u><u>225,556</u></u>	<u><u>222,969</u></u>

Generally, the Group's trade receivables are due within 30 to 90 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 2023, the tariff premium receivables included in the trade and other receivables amounted to RMB53,815,000 (31 December 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 grid company in the past and the tariff premium is funded by the PRC government.

10 TRADE AND OTHER PAYABLES

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Current		
Trade payables (<i>Note (a) below</i>)	95,355	41,057
Bills payable	41,041	46,871
Other payables (<i>Note (b) below</i>)	35,438	37,696
	<u>171,834</u>	<u>125,624</u>
Non-current		
Trade and other payables	<u>1,986</u>	<u>1,008</u>
	<u><u>173,820</u></u>	<u><u>126,632</u></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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Within 3 months	94,204	40,395
3 to 6 months	504	198
6 to 12 months	223	258
Over 12 months	424	206
	<u>95,355</u>	<u>41,057</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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Interest payable due to third parties	27,236	26,370
Payables for staff related costs	1,671	2,353
Advances from disposal of joint ventures	5,133	5,133
Others	1,398	3,840
	<u>35,438</u>	<u>37,696</u>

11 DIVIDENDS

No dividend was paid or declared by the Company for the six months ended 30 June 2023 and 2022.

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.

PITCH CONTROL SYSTEM RELATED INTEGRATION, MANUFACTURING 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 charges. Our pitch control system products are integrated with the premium components that we source from KEB Group. We also offer customized integration services of major components of pitch control systems. Our customers mainly consist of leading wind turbine manufacturers in the PRC, including Envision Group, Sinovel, Sany Heavy Energy, CRRC and Zhejiang Windey, and we have established stable relationships with our partners.

During the six months ended 30 June 2023, 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 web hosting companies in the PRC. For the six months ended 30 June 2023, the Group delivered a total of 881 sets of pitch control system products, and the products delivered included different types of 4 MW to 14 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 integrated 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 2023, the semi-annual utilisation hours of our Duolun Wind Farm were 1,490 hours, and the semi-annual total wind power generated and admitted to the power grid was 29.07 million kWh.

Regarding the new 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**”) and the subsequent disposal of the Group’s entire equity interest in the Lingqiu Project, please refer to the announcement of the Company dated 25 March 2022. The disposal has not yet been completed as of 30 June 2023 due to the non-satisfaction of “conditions for completion” stipulated in the Equity Purchase Agreement.

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 provide timely and quality operation and maintenance services to our customers and receive service fees and fees for the sale of consumables.

Due to the change of the service fee settlement model by the customer of wind farm operation and maintenance services, the Company downsized the operation and maintenance business of the workers at the wind farm, whereas the Group adjusted the size of its team in April 2023, subsequently reducing the size of the labour costs for this business, and retained the consumables supply team to continue to sell consumables for the customers. During the six months ended 30 June 2023, the Group’s operation and maintenance team consisted of 3 persons and mainly provided sales of consumables to customers.

ENERGY STORAGE

We have realized the R&D, production and integration of energy storage modules, packs and energy storage system products through Nature Smart Energy (Shenzhen) Co., Ltd. as the energy storage management system (EMS) platform and Jiangsu Nature Zhenyuan Energy Storage Technology Co., Ltd. Among them, EMS products have matured and realized sales; energy storage system product company has completed the clean plant renovation, production line equipment purchase and commissioning, team building and other pre-investment stage, whereas the next step would be the formation of self-developed products and realize sales.

CONSULTANCY

With the accumulation of a professional team and industry resources, the Group provides customers with consultancy services for new energy projects such as in wind power and photovoltaics.

OUTLOOK OF THE GROUP

The Group will continue to focus on the two core businesses of wind power and energy storage. On the one hand, it deepens its domestic market share and consolidates its leading position in pitch control systems industry and continues to develop wind power generation and operation and maintenance businesses. On the other hand, it continues to strengthen the research and development of core products in the energy storage industry chain, sales pipelines and team building, diversified research and development of energy storage products, and gradually improve the product system; actively develop the industrial and commercial as well as the user-side energy storage projects to provide overall solutions; deepen enterprise cooperation in energy storage industry chains, so as to enable the Group to provide industrial chain solutions to be applied more towards the new energy markets.

Financial Position and Operating Results

In the first half of 2023, the overall new installations in the wind power industry were slightly lower than expected, but the Company's customers' orders were stable, which ensured stable operations of the Company. Considering the seasonal characteristics of wind power construction, the accumulated projects are expected to be released in the second half of the year.

Revenue

During the six months ended 30 June 2023, the Group recorded a total revenue of approximately RMB124 million, representing an increase of 37.8% from approximately RMB90 million in the first half of 2022, which was mainly due to the increase in sales orders of the Group's pitch control systems business during the reporting period.

	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000
Pitch control system related integration, manufacturing and sales	103,021	68,574
Wind power generation	9,523	9,420
Wind farm operation and maintenance	10,711	11,661
Energy storage management system	551	57
Total	<u>123,806</u>	<u>89,712</u>

In the first half of 2023, revenue generated from the pitch control system business amounted to approximately RMB103 million, representing an increase of approximately RMB34 million or approximately 50% from the first half of 2022. This was mainly due to the slowdown of wind farm investment construction caused by COVID-19 in the first half of 2022, which resulted in the decline in orders of the entire wind power industry chain.

Revenue from the wind power generation business for the first half of 2023 amounted to approximately RMB10 million, representing a relatively small change as compared to the corresponding period in 2022.

Revenue from wind farm operation and maintenance business amounted to approximately RMB11 million in the first half of 2023, representing a decrease of approximately RMB1 million as compared to the first half of 2022, which was mainly attributable to the adjustment by the Company in the scale of its operation and maintenance services business and the reduction in the corresponding revenue.

Revenue from the energy storage management system business was approximately RMB0.5 million for the first half of 2023, and the energy storage business is in the expansion stage.

Cost of Sales

For the six months ended 30 June 2023, the Group's cost of sales amounted to approximately RMB114 million, representing an increase of approximately 43% from approximately RMB34 million in the first half of 2022, which was mainly due to the increase in costs brought about by the increase in orders for the pitch system.

For the six months ended 30 June 2023, the cost of sales of the Group's business segments were as follows:

The cost of sales of 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 RMB100 million, representing an increase of approximately 52% or RMB34 million in the first half of 2022, which was mainly due to the increase in cost as a result of the increase in orders.

The cost of sales of 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, representing a decrease of approximately RMB0.2 million from approximately RMB4.1 million in the first half of 2022. The cost of sales remained generally consistent.

The cost of sales of wind farm operation and maintenance business mainly includes raw material costs and staff costs. The cost of sales of wind farm operation and maintenance business amounted to approximately RMB9 million, representing a decrease of approximately RMB1 million from approximately RMB10 million in the first half of 2022. The cost of sales remained generally consistent.

The cost of sales of energy storage management system business mainly included raw material costs, staff costs and depreciation, which in the first half of 2023 amounted to approximately RMB0.4 million.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023, the Group's gross profit amounted to approximately RMB10 million, which was basically consistent with that of approximately RMB10 million for the first half of 2022. The Group's overall gross profit margin was 8%, representing a decrease of approximately 3 percentage points as compared to the first half of 2022, which was mainly due to the decrease in gross profit margin of the pitch control system.

For the six months ended 30 June 2023, 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 RMB3 million, flat as compared to the first half of 2022. The gross profit margin of the pitch control business decreased from 4% in the first half of 2022 to 3% in the first half of 2023. This was mainly due to the reduction in the selling price of the products in order to stabilize and capture market share.

The gross profit of wind power generation business amounted to approximately RMB6 million, flat compared to the first half of 2022.

The gross profit of wind farm operation and maintenance business amounted to approximately RMB2 million, flat as compared to the first half of 2022.

The gross profit margin of energy storage management system business was approximately 37%.

OTHER REVENUE

For the six months ended 30 June 2023, the Group's other revenue amounted to approximately RMB1 million, representing a decrease of approximately RMB4 million from approximately RMB5 million in the first half of 2022, which was mainly due to the receipt of less government subsidy in the first half of 2023.

SELLING AND DISTRIBUTION EXPENSES

For the six months ended 30 June 2023, the Group's selling and distribution expenses amounted to approximately RMB3 million, representing an increase of RMB1 million as compared to RMB2 million in the first half of 2022, which was mainly attributable to the increase in revenue in the first half of 2023 and the increase in staffing and packaging expenses.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

For the six months ended 30 June 2023, the Group's administrative and other operating expenses amounted to approximately RMB11 million, representing an increase of approximately RMB3 million from approximately RMB8 million in the first half of 2022, which was mainly due to the increase in administrative fees resulting from the optimization of the energy storage management team.

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 2023, the Group's finance costs amounted to approximately RMB1 million, flat as compared to the first half of 2022.

GEARING RATIO

Gearing ratio is calculated as the Group's total debts divided by total assets. For the six months ended 30 June 2023, the Group's gearing ratio was 47%, representing an increase of approximately 8% from 39% as at 31 December 2022, which was mainly due to the increase in suppliers' credit payments as a result of the Group's raw material reserves for business growth.

LOSS/PROFIT FOR THE REPORTING PERIOD

For the six months ended 30 June 2023, the Group's losses for the period amounted to approximately RMB5 million, representing a decrease of approximately RMB8 million from profit of approximately RMB3 million in the first half of 2022.

LOSS/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

For the six months ended 30 June 2023, the loss attributable to the equity shareholders of the Group amounted to approximately RMB4 million. This represented a decrease of approximately RMB7 million as compared to the profit attributable to equity shareholders of the Group of approximately RMB3 million for the first half of 2022.

LIQUIDITY AND SOURCE OF CAPITAL

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 present operating needs and the needs for the year ended 31 December 2023.

As at 30 June 2023, the balance of the pledged bank deposits and cash and cash equivalents amounted to approximately RMB49.3 million, representing a decrease of approximately RMB16.3 million from approximately RMB65.6 million as at 31 December 2022. The bank and other borrowings of the Group as at 30 June 2023 were denominated in RMB and United States dollars, with an annual interest rate of 3.5%–7%. As at 30 June 2023, the interest-bearing bank and other borrowings of the Group amounted to RMB42 million, representing an increase of approximately RMB3 million from approximately RMB39 million as at 31 December 2022.

CASH FLOWS

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB30 million, representing a decrease of approximately RMB14 million from approximately RMB44 million as at 30 June 2022, which was mainly due to the payment for the acquisition of property, plant and equipment for the energy storage project.

CAPITAL EXPENDITURES

In the first half of 2023, the Group's capital expenditures amounted to approximately RMB20 million, representing an increase of RMB18 million as compared to the capital expenditure of RMB2 million in the first half of 2022. This was mainly due to the payment for the acquisition of property, plant and equipment for the energy storage project.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS BY THE GROUP

The balance of the bank loan was approximately RMB5 million, which was secured by the intellectual property rights of the Group's subsidiary. As at 30 June 2023, the bank loan was not repaid by the Group's subsidiary. During the year, the Group's subsidiary had new short-term borrowings of RMB3 million, which were not secured by assets.

HUMAN RESOURCES

The Group has offices in Beijing, Inner Mongolia, Shanghai, Wuxi, Shenzhen and Hong Kong. As at 30 June 2023, the Group employed a total of 113 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 the employee.

POTENTIAL RISK EXPOSURES

Political 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 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. The Group will strictly adhere to its accounts receivable management and credit system, track the status of operation and payment progress 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 2023, 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.

USE OF NET PROCEEDS FROM LISTING

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 30 June 2023, the net proceeds were fully utilized. As at 30 June 2023, to the knowledge of the Directors, the intended use of proceeds as stated in the section headed “Use of Proceeds” in the prospectus had no material changes.

Note 2: As of 30 June 2023, the Group has fully utilized 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.

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 2023.

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 14 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 2023.

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 10 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 2023.

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 2023.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023.

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 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 August 2023

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.