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China Nature Energy Technology Holdings Limited

中國納泉能源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1597)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of China Nature Energy Technology Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 as follows:

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

For the year ended 31 December 2020

(Expressed in Renminbi)

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Revenue	3	338,895	222,835
Cost of sales		<u>(265,325)</u>	<u>(156,438)</u>
Gross profit		73,570	66,397
Other revenue	4(a)	4,987	555
Other net income	4(b)	202	—
Selling and distribution expenses		(3,788)	(2,598)
Administrative and other operating expenses		<u>(21,228)</u>	<u>(7,707)</u>
Profit from operations		53,743	56,647
Net finance costs		(5,721)	(6,817)
Share of loss of joint ventures		<u>(666)</u>	<u>(260)</u>
Profit before taxation	5	47,356	49,570
Income tax	6	<u>(6,972)</u>	<u>(6,881)</u>
Profit for the year		<u>40,384</u>	<u>42,689</u>
Attributable to:			
Equity shareholders of the Company		40,173	42,545
Non-controlling interests		<u>211</u>	<u>144</u>
Profit for the year		<u>40,384</u>	<u>42,689</u>
Earnings per share	7		
Basic and diluted		<u>0.201</u>	<u>0.227</u>

	2020	2019
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	40,384	42,689
Other comprehensive income for the year (after tax adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of entities with functional currencies other than Renminbi (“RMB”)	<u>(3,085)</u>	<u>(239)</u>
Other comprehensive income for the year	<u>(3,085)</u>	<u>(239)</u>
Total comprehensive income for the year	<u>37,299</u>	<u>42,450</u>
Attributable to:		
Equity shareholders of the Company	37,088	42,306
Non-controlling interests	<u>211</u>	<u>144</u>
Total comprehensive income for the year	<u>37,299</u>	<u>42,450</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		101,048	100,674
Interests in joint ventures		417	740
Contract assets	8	762	—
Deferred tax assets		269	138
Other non-current asset		—	365
		<u>102,496</u>	<u>101,917</u>
Current assets			
Inventories		16,589	9,738
Trade and other receivables	9	275,965	149,302
Cash and cash equivalents		121,416	35,632
Pledged deposits		30,960	6,597
		<u>444,930</u>	<u>201,269</u>
Current liabilities			
Bank loans and other borrowings		93,572	79,677
Trade and other payables	10	204,871	92,314
Lease liabilities		1,620	325
Current taxation		1,665	4,014
		<u>301,728</u>	<u>176,330</u>
Net current assets		<u>143,202</u>	<u>24,939</u>
Total assets less current liabilities		<u>245,698</u>	<u>126,856</u>

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current liabilities			
Bank loans and other borrowings		—	13,533
Trade and other payables	10	—	6,982
Lease liabilities		<u>4,597</u>	<u>699</u>
		<u>4,597</u>	<u>21,214</u>
NET ASSETS		<u>241,101</u>	<u>105,642</u>
CAPITAL AND RESERVES			
Share capital	11	2,168	—
Reserves		<u>236,998</u>	<u>103,918</u>
Total equity attributable to equity shareholders of the Company		239,166	103,918
Non-controlling interests		<u>1,935</u>	<u>1,724</u>
TOTAL EQUITY		<u>241,101</u>	<u>105,642</u>

NOTES

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

China Nature Energy Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 28 November 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 20 October 2020. The Company is an investment holding company. 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 and provision of wind energy related consultancy services in the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in Renminbi, unless otherwise stated and have approved for issue by the Board of Directors on 26 March 2021. They have been prepared in accordance with all applicable International Financial Reporting Standard (“**IFRS**”) using the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information relating to the financial year ended 31 December 2020 that is included in this preliminary annual results announcement does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the ISAB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, *Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

3 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 provision of wind energy related consultancy services. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) Disaggregation of revenue

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sales of pitch control systems and related components	283,847	180,374
Sales of wind power	20,258	20,211
Wind farm operation and maintenance business	34,790	19,752
Provision of wind energy related consultancy services	—	2,498
	<u>338,895</u>	<u>222,835</u>

The Group's revenue from contracts with customers were recognised at point in time for the Relevant Periods.

The Group had transactions with one and two customers exceeding 10% individually of its total revenue for the years ended 31 December 2020 and 2019, respectively.

The total revenue of the sales of pitch control systems and related components, sales of wind power and wind farm operation and maintenance business from these customers amounted to RMB272,654,000 and RMB196,019,000 for the years ended 31 December 2020 and 2019, respectively. Revenue from major customers contributing over 10% of the Group's revenue are set out as below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	272,654	168,143
Customer B	N/A*	27,876
	<u>272,654</u>	<u>196,019</u>

* Less than 10% of the Group's revenue in the respective year.

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

As at 31 December 2020, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods such that information about revenue expected to be recognised in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by division, which is organised by business lines (sales of pitch control systems and related components, sales of wind power, wind farm operation and maintenance business and 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 wind energy related consultancy services: it provides wind energy related consultancy services.

(i) Segment results and assets

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

Segment assets include trade and other receivables, inventories, contract assets and property and plant and equipment, with the exception of interests in joint ventures, deferred tax assets, cash and cash equivalents and pledged deposits.

The measure used for reporting segment profit is gross profit.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	2020				Total <i>RMB'000</i>
	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>	Provision of wind energy related consultancy services <i>RMB'000</i>	
Reportable segment revenue	<u>283,847</u>	<u>20,258</u>	<u>34,790</u>	<u>—</u>	<u>338,895</u>
Reportable segment profit	<u>52,306</u>	<u>11,823</u>	<u>9,441</u>	<u>—</u>	<u>73,570</u>
Reportable segment assets	<u>254,576</u>	<u>120,239</u>	<u>19,549</u>	<u>—</u>	<u>394,364</u>
	2019				
	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>	Provision of wind energy related consultancy services <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>180,374</u>	<u>20,211</u>	<u>19,752</u>	<u>2,498</u>	<u>222,835</u>
Reportable segment profit	<u>45,861</u>	<u>12,055</u>	<u>6,321</u>	<u>2,160</u>	<u>66,397</u>
Reportable segment assets	<u>114,583</u>	<u>131,806</u>	<u>11,240</u>	<u>2,450</u>	<u>260,079</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>338,895</u>	<u>222,835</u>
Consolidated revenue	<u><u>338,895</u></u>	<u><u>222,835</u></u>
Profit		
Reportable segment profit	73,570	66,397
Other revenue	4,987	555
Other net income	202	—
Selling and distribution expenses	(3,788)	(2,598)
Administrative and other operating expenses	(21,228)	(7,707)
Net finance costs	(5,721)	(6,817)
Share of loss of joint ventures	<u>(666)</u>	<u>(260)</u>
Consolidated profit before taxation	<u><u>47,356</u></u>	<u><u>49,570</u></u>
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Assets		
Reportable segment assets	394,364	260,079
Interests in joint ventures	417	740
Deferred tax assets	269	138
Cash and cash equivalents	121,416	35,632
Pledged deposits	<u>30,960</u>	<u>6,597</u>
Consolidated total assets	<u><u>547,426</u></u>	<u><u>303,186</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.

4 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
VAT refund (<i>Note i</i>)	4,187	—
Government subsidies (<i>Note ii</i>)	794	555
Others	6	—
	<u>4,987</u>	<u>555</u>

Notes:

- (i) Pursuant to Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry (Guofa [2011] No.4), enterprises engaged in the sales of self-developed software in the PRC are entitled to 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 four months ended 31 December 2020, the Group received such VAT refund of RMB4,187,000.
- (ii) During the years ended 31 December 2020 and 2019, the Group received unconditional government subsidies of RMB794,000 and RMB555,000 respectively, as encouragement of their contribution in technology development and local economy.

(b) Other net income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net exchange gain	252	—
Others	(50)	—
	<u>202</u>	<u>—</u>

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on bank loans	2,260	2,928
Interest expenses on loans due to related parties	—	144
Interest expenses on loans due to third parties	3,162	3,389
Interest expense on lease liabilities	66	59
Others	440	317
	<u>5,928</u>	<u>6,837</u>
Interest income	<u>(207)</u>	<u>(20)</u>
Net finance costs	<u><u>5,721</u></u>	<u><u>6,817</u></u>

(b) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and other benefits	15,667	9,930
Contributions to defined contribution retirement plan	657	813
	<u><u>16,324</u></u>	<u><u>10,743</u></u>

(c) **Other items**

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories recognised as expenses (<i>Note i</i>)	252,578	142,202
Depreciation charges		
— owned property, plant and equipment	6,216	6,112
— right-of-use assets	662	382
Provision of loss allowance on trade and other receivables	874	146
Listing expenses (<i>Note ii</i>)	11,553	4,860
Auditors' remuneration		
— audit services	1,200	—
— non-audit services	1,380	1,247

Notes:

- (i) Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation of property, plant and equipment and research and development expenses, which are also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.
- (ii) Listing expenses include auditors' remuneration of RMB1,380,000 and RMB1,247,000 for the years ended 31 December 2020 and 2019 in respect of the initial public offering of the Company, respectively.

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Taxation in the consolidated statements of profit or loss represents:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax — PRC Corporate Income Tax		
Provision for the year	7,103	6,904
Deferred tax		
Origination and reversal of temporary differences	(131)	(23)
	<u>6,972</u>	<u>6,881</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the subsidiaries of the Group which operate in PRC is subject to Corporate Income Tax at a rate of 25% on its taxable income.

- (iii) According to the Administrative Measures for Determination of High Tech Enterprises (Guokefahuo [2016] No.32), Jiangyin Hongyuan New Energy Technology Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2018 to 2020.
- (iv) Pursuant to Caishui [2011] No.58 and Caishui [2020] No.23 Notice on Tax Policies for Further Implementation of Western Regions Development Strategy, Datang Gucang Duolun New Energy Co., Ltd. established in the western regions of the PRC, and is entitled to the preferential income tax rate of 15% from its incorporation to 2030.
- (v) Pursuant to Caishui [2008] No.46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, wind farm of the Group, which are approved after 1 January 2008, are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income is derived. Datang Gucang Duolun New Energy Co., Ltd. was entitled to full exemption for the years from 2016 to 2018 and a preferential income tax rate of 7.5% from 2019 to 2021.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB40,173,000 (2019: RMB42,545,000) and the weighted average of 199,795,082 ordinary shares (2019: 187,490,904 shares after adjusting for the capitalisation issue in 2020) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	10,000	—
Shares issued to shareholders of the Company (<i>Note 11</i>)	—	904
Effect of capitalisation issue (<i>Note 11</i>)	187,490,000	187,490,000
Effect of shares issued by initial public offering (<i>Note 11</i>)	12,295,082	—
	<u>199,795,082</u>	<u>187,490,904</u>
Weighted average number of ordinary shares at 31 December	<u>199,795,082</u>	<u>187,490,904</u>

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2020 and 2019 is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued.

8 DIVIDENDS

No dividend was paid or declared by the Company for the year ended 31 December 2020.

9 TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade and bills receivable, net of loss allowance	271,408	145,372
Prepayments	2,836	1,878
Other receivables	1,721	2,052
	<u>275,965</u>	<u>149,302</u>
Total	<u><u>275,965</u></u>	<u><u>149,302</u></u>

All of trade and other receivables balances are expected to be recovered or recognised as expense within one year.

Trade and bills receivable

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	221,565	133,917
Bills receivable	51,634	12,372
	<u>273,199</u>	<u>146,289</u>
Less: loss allowance	(1,791)	(917)
	<u>271,408</u>	<u>145,372</u>
	<u><u>271,408</u></u>	<u><u>145,372</u></u>

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	260,025	126,317
Over 1 year but within 2 years	11,383	—
Over 2 years but within 3 years	—	12,107
Over 3 years but within 5 years	—	6,948
	<u>271,408</u>	<u>145,372</u>
	<u><u>271,408</u></u>	<u><u>145,372</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, representing 52% (2019: 55%) of total wind power sales for the year ended 31 December 2020. 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 31 December 2020, the tariff premium receivables included in the trade and other receivables amounted to RMB23,222,000 (2019: RMB32,162,000).

Pursuant to Caijian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 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.

As at 31 December 2020, trade and bills receivable of RMB78,501,000 (2019: RMB6,000,000) were pledged as security for issuance of bills payable.

As at 31 December 2020, trade receivables of RMB23,662,000 (2019: RMB nil) were pledged as security for bank loans.

10 TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current		
Trade payables	71,836	24,418
Bills payable	96,215	26,804
Other payables	36,820	41,092
	<u>204,871</u>	<u>92,314</u>
Non-current		
Other payables	—	6,982
	<u>204,871</u>	<u>99,296</u>

Trade payables

As of the end of the reporting period, the aging analysis of trade payables, based on the invoice date, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 month	67,766	22,116
3 to 6 months	3,270	177
6 to 12 months	—	—
Over 12 months	800	2,125
	<u>71,836</u>	<u>24,418</u>

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

11 SHARE CAPITAL

	Note	2020		2019	
		No. of shares	RMB'000	No. of shares	RMB'000
Ordinary shares, issued and fully paid:					
At 1 January		10,000	—*	—	—
Shares issued to shareholders of the Company	(i)	—	—	10,000	—*
Capitalisation issue	(ii)	187,490,000	1,626	—	—
Issues of ordinary shares by initial public offering	(iii)	62,500,000	542	—	—
At 31 December		<u>250,000,000</u>	<u>2,168</u>	<u>10,000</u>	<u>—*</u>

* The balance represented number less than RMB1,000.

Notes:

(i) The Company was incorporated in the Cayman Islands on 28 November 2019 as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with par value of HK\$0.01 each, of which 10,000 shares were allotted and issued as at 31 December 2020.

(ii) Capitalisation issue

Pursuant to the shareholder's resolution dated 4 September 2020, the directors of the Company are authorised to allot and issue 1,874,900 shares at a par value of HK\$0.01 each to the then the actual controller of the Group. This resolution was conditional upon the share premium account being credited as a result of the Company's initial public offering and pursuant to this resolution, a sum of RMB1,625,913 standing to the credit of the share premium account as at 28 October 2020 was applied in paying up this capitalisation issue in full.

(iii) Issue of ordinary shares by initial public offering

On 20 October 2020, the Company issued 62,500,000 shares with a par value of HK\$0.01, at an offer price of HK\$2.00 per share by way of public offering to Hong Kong and overseas investors. Net proceeds from these issues amounted to RMB98,160,000 (after offsetting costs directly attributable to the issue of shares of RMB10,680,000), out of which RMB542,000 and RMB97,168,000 were recorded in share capital and share premium accounts, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a wind power and pitch control system solution provider in the PRC. We primarily engage in research and development (“R&D”), integration, manufacture and sale of high-voltage pitch control systems for wind turbines, and also offer customised integration services of major components of pitch control systems. We are also a wind power generator which sells electricity to the local power grid company through the operation of our Duolun Wind Farm situated in Inner Mongolia, which is a centralised wind farm installed with 13 wind turbines with total installed capacity of 19.5 MW. Based on the above services, we extend our business scope to cover (1) offering of wind farm operation and maintenance services and products including provision of daily maintenance service for wind farms, upgrade and modification works for pitch control systems and supply of consumables for wind farm operations; and (2) provision of wind energy related consultancy services. For the year ended 31 December 2020, no revenue was generated from the wind energy related consultancy services as there was no new customer for such business. Save as disclosed above, other core businesses and the revenue structure of the Group remained unchanged.

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 customised integration services of major components of pitch control systems. Our customers mainly consist of leading wind turbine manufacturers in the PRC, including Envision Group and Shanghai Electric, with whom we have established stable relationships.

In 2020, we further developed high-quality new customers and expanded our share in the pitch control system market. With the development of 2 new customers, the Group’s pitch control system business covered five of the ten largest web hosting companies in the PRC. In 2020, the Group delivered a total of 1704 sets of pitch control system products, representing an increase in delivery volume of 42.2% from 2019. The products delivered included different types of 2 MW to 5 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 installed with 13 wind turbines with total installed capacity of 19.5MW, where we admit electricity generated to the local power grid and sell electricity generated to the local power grid company. We collect on-grid tariff from the local power grid company based on the meter readings at an agreed rate on a monthly basis.

In 2020, the annual utilisation hours of our Duolun Wind Farm were 2,647 hours, and the annual total wind power generated and admitted to the power grid was 51.61 million kWh.

Wind farm operation and maintenance

We offer wind farm 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 offer timely and high-quality operation and maintenance services to our customers, for which we charge service fees and cost of the sales of consumables.

In 2020, the Group's operation and maintenance team had 79 staff, mainly responsible for the provision of operation and maintenance services to the wind farms of Envision Energy situated throughout China.

OUTLOOK OF THE GROUP

Development trend in domestic market

2021 marks the first year of the 14th Five-Year Plan of the PRC. The 14th Five-Year Plan for the development of renewable energy resources is soon to be released, calling for the ongoing cost reduction, expansion of scale, optimisation of layout as well as enhancement of quality and efficiency of renewable energy resources, so as to achieve high proportion and high quality development. It aims at facilitating renewable energy resources to become the incremental subjects of energy consumption and realising the strategic objective of non-fossil fuel energy accounting for 20% of energy consumption by 2030. Being the major power source of renewable energy resources, wind power will maintain sizeable and ongoing growth.

The Group will continue to focus on new energy industry, maintain its share and leading position in domestic pitch control system market, optimise resources deployment and develop energy storage business. The Group will commence the following major works in the future:

(1) Maintain and enhance our market position in pitch control system market to increase market share

The Group will continue to maintain its technology, quality and services, and further deepen the cooperation with existing customers. Meanwhile, the Group will expand its customer base by way of customer diversification to safeguard the Group's leading position in the high-voltage pitch control system market in the PRC.

(2) Further strengthen our R&D function to enrich our solutions offering

The Group will expand its technical and R&D team with the addition of software and other R&D equipment and strengthen its R&D capabilities. Meanwhile, we will continue the research and development and application of high-efficiency pitch products such as the 8 MW and 12 MW models to safeguard technological advancement.

(3) Actively explore and develop new energy business

The Group will establish a wholly-owned subsidiary in Shenzhen and form a new energy technical and marketing team. It will focus on the opportunities of the development of new energy business, striving to create new profit drivers in the new energy industry.

FINANCIAL POSITION AND OPERATING RESULTS

In 2020, the Group continued a market-oriented strategy with a strong focus on developing high-quality customers and proactively secured its market share, so as to realise stable development of its principal businesses.

REVENUE

In 2020, the Group recorded a total revenue of approximately RMB338.9 million, representing an increase of 52.1% from approximately RMB222.8 million in 2019, which was mainly due to the increase in customer orders in the Group's principal businesses during the reporting period.

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

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Pitch control system related integration, manufacturing and sales	283,847	180,374
Wind power generation	20,258	20,211
Wind farm operation and maintenance	34,790	19,752
Wind energy related consultancy services	0	2,498
Total	<u>338,895</u>	<u>222,835</u>

In 2020, revenue generated from the pitch control system business amounted to approximately RMB283.8 million, representing an increase of approximately RMB103.5 million or approximately 57.4% from 2019, which was mainly due to the increase in selling price as a result of the change in our sales model of pitch control products to our major customer, Envision Group, and an increase in customer orders.

In 2020, revenue generated from the wind power generation business amounted to approximately RMB20.3 million, which was substantially the same as that in 2019. It was mainly because our wind farm power generation entered the stage of stable development, which generated stable income in general.

Revenue generated from wind farm operation and maintenance business increased by approximately 75.8% from approximately RMB19.8 million in 2019 to approximately RMB34.8 million in 2020, mainly due to the increase in customer orders for the supply of consumables used in the wind farm operation and maintenance services.

No revenue was generated from the wind energy related consultancy services in 2020 as there was no new customer for such business.

COST OF SALES

In 2020, the Group's cost of sales amounted to approximately RMB265.3 million, representing an increase of approximately 69.6% from approximately RMB156.4 million in 2019. Such increase was mainly due to the increase in corresponding raw material costs and staff costs as a result of the change in our sales model of pitch systems and its components, as well as the increase in business orders.

Among them, the cost of sales of pitch control system business mainly consists of raw material costs, staff costs and depreciation. The cost of sales of the Group's pitch control system business increased from approximately RMB134.5 million in 2019 to approximately RMB230.9 million in 2020, mainly due to the increase in raw material costs and staff costs as a result of the change in our sales model of pitch systems and its components.

The cost of sales of wind power generation business mainly includes depreciation and staff costs. In 2020, the cost of sales of wind power generation business amounted to approximately RMB8.1 million, which remained substantially unchanged from the cost of sales of approximately RMB8.2 million in 2019.

The cost of sales of wind farm operation and maintenance business mainly includes raw material costs and staff costs.

In 2020, the total cost of sales of the Group's operation and maintenance business amounted to approximately RMB25.3 million, representing an increase of RMB11.9 million from approximately RMB13.4 million in 2019, which was mainly due to the increase in revenue from the supply of consumables.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit increased by approximately 10.8% from approximately RMB66.4 million in 2019 to approximately RMB73.6 million in 2020, mainly due to the increase in total revenue. The overall gross profit margin decreased from 29.8% in 2019 to 21.8% in 2020, mainly due to the increase in proportion of pitch control system business, which has a relatively lower gross profit margin as compared to other businesses.

The gross profit margin of pitch control system business decreased from 25.4% in 2019 to 18.7% in 2020, mainly due to the change in our sales model to our major customer, Envision Group, and the relatively lower gross profit margin of approximately 5%–8% of different types of materials for pitch control system products.

The development of new customers and market competition resulted in a decrease in gross profit of customer orders and an increase in raw material costs.

In 2020, the gross profit margin of wind power generation business was approximately 60.9%, which remained substantially unchanged from the gross profit margin of 59.6% in 2019.

The gross profit margin of wind farm operation and maintenance business decreased from 32% in 2019 to 28% in 2020, mainly due to the relatively lower gross profit margin of the supply of consumables.

OTHER REVENUE

In 2020, the Group's other revenue amounted to approximately RMB5 million, representing an increase of approximately RMB4.4 million from approximately RMB0.6 million in 2019. Such increase was mainly due to the tax relief of approximately RMB4.2 million and the government incentives of approximately RMB0.8 million in 2020.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by approximately RMB1.2 million or 46.2% from approximately RMB2.6 million in 2019 to approximately RMB3.8 million in the current year. Such increase was mainly due to stronger sales efforts, development of new customers and customer diversification during the reporting period.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In 2020, the Group's administrative and other operating expenses amounted to approximately RMB21.2 million while that for the corresponding period of last year amounted to approximately RMB7.7 million. It was mainly due to the increase in listing expenses recognised in the current year and the increase in the remuneration of employees.

FINANCE COSTS

Finance costs mainly represent the interest expenses on bank borrowings and borrowings from third parties. In 2020, the Group's finance costs amounted to approximately RMB5.7 million, representing a decrease of approximately 16.2% from approximately RMB6.8 million in the corresponding period of last year, which was mainly due to the proceeds raised from the initial public offering of the Group and the repayment of part of the bank borrowings by subsidiaries.

GEARING RATIO

Gearing ratio is calculated as the Group's total debts divided by total assets. In 2020, the Group's gearing ratio was 41.4%, representing a decrease of 47.8% from the gearing ratio of 89.2% in 2019, which was mainly due to the proceeds raised from the initial public offering of the Group and the repayment of the Group's bank borrowings by its subsidiaries.

INCOME TAX EXPENSE

In 2020, the Group's income tax expense amounted to approximately RMB7 million (2019: approximately RMB6.9 million). The effective tax rate was approximately 15% and 14% for the current year and the previous year, respectively. The increase in tax rate in the current year was mainly due to the listing expenses paid by overseas companies which were not deductible for taxation purposes, as well as the impact of deduction of research and development expenses of the Group's subsidiaries.

PROFIT FOR THE YEAR

Based on the above reasons, the Group recorded a net profit of approximately RMB40.4 million in 2020, representing a decrease of approximately RMB2.3 million or 5.4% from the net profit of approximately RMB42.7 million in 2019.

The Group's adjusted profit for the year excluding listing expenses is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	47,356	49,570
Add: non-recurring listing expenses	11,553	4,860
Profit before income tax excluding listing expenses	58,909	54,430
Income tax expense	(6,972)	(6,881)
Profit for the year excluding listing expenses	51,937	47,549

Profit for the year excluding listing expenses increased by approximately RMB4.4 million or approximately 9.2% as compared with 2019.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE GROUP

Profit attributable to the owners of the Group amounted to approximately RMB40.2 million and approximately RMB42.5 million in 2020 and 2019, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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 in 2020. After careful financial management and analysis, our Directors believe that the Group has sufficient working capital to satisfy its present operating needs and the needs in the next full year.

CASH FLOWS

In 2020, the Group's cash and cash equivalents amounted to approximately RMB121.4 million, representing an increase of approximately RMB85.8 million or approximately 241% from approximately RMB35.6 million in 2019, which was mainly due to the net proceeds from listing in 2020.

CAPITAL EXPENDITURES

In 2020, the Group's capital expenditures amounted to a total of approximately RMB1.5 million (2019: capital expenditures of RMB0.1 million).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged the leasehold lands, motors and other equipment of its subsidiaries to secure bank loans with a balance of approximately RMB13.5 million (31 December 2019: RMB27.9 million).

LISTING EXPENSES

The Group was successfully listed on the Stock Exchange on 20 October 2020 and recognised total expenses of listing in Hong Kong of approximately RMB15.3 million in that year, out of which approximately RMB11.6 million was charged to the consolidated statement of comprehensive income for the year ended 31 December 2020 and approximately RMB3.7 million was recognised as a deduction in equity.

EMPLOYEES AND REMUNERATION POLICY

The Group's development relies on the dedication of all employees and the support from its talented workforce. As at 31 December 2020, the Group employed a total of 165 employees (31 December 2019: 164 employees), all of which entered into labour contract with the Group. According to the PRC Labour Law and the relevant laws and regulations, the contract expressly stipulates the position, responsibilities, remuneration, staff benefit, training, obligation of confidentiality and other related matters of the employee. The remuneration of the Group's employees is determined based on their scope of work, responsibilities and performance. The remuneration of directors and senior management is reviewed by the remuneration committee of the Company with reference to the remuneration paid by comparable companies, experience, duty and performance of the Group, and is approved by the Board.

MAJOR RISKS AND UNCERTAINTIES

The business operation and results and the Group may be affected by various factors, some of which are external factors and some are business-related intrinsic factors. The Board is aware of the multiple risks, major risks and uncertainties faced by the Group, which are summarised as follows:

Political uncertainty risk

The development and the profitability of the business operation of the Group are substantially influenced by the laws, policies and regulations of the wind power industry in the PRC. If there is any change in the government support for the wind power industry in which we operate, or any change in policies related to the industry, the demand for pitch control systems and wind power solutions may decrease, thus affecting the business operation of the Group.

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 may lead to the risk of delayed cash collection. The Group will strictly adhere to its cash management system and credit policy and monitor the real-time cash status on an ongoing basis, so as to effectively control the financial risk.

Customer concentration risk

For the year ended 31 December 2020, the top five customers of the Group contributed to 99% of our total revenue for the relevant period and the revenue derived from our largest customer, Envision Group, contributed to 80% of our total revenue for the relevant period. If any of the top five customers completely terminated its business relationship with us, there is no assurance that we will be able to secure engagement by other customers to replace such losses. The Group entered into a binding ten-year framework agreement with its largest customer, Envision Group, in December 2019. Our Directors consider that Envision Group may continue to account for a similar or even higher proportion of our revenue in the future and we may face customer concentration risk in the future. We cannot assure you that Envision Group will place orders with us according to the targeted purchase volume in the binding ten-year framework agreement or we can continue to be able to meet the standard required by Envision Group. If there is a reduction or cessation of purchase orders from Envision Group for whatever reasons, such as failure to maintain their existing market share, and we are unable to obtain purchase orders of a comparable size and terms in substitution or our plan to diversify or expand our customer base does not succeed, our business, financial condition, results of operations and gross profit may be materially and adversely affected. We believe that our business is sustainable despite such customer and market

concentration because of (i) our ability to maintain stable relationship with Envision Group; (ii) diversification of our customer base in pitch control system segment; (iii) diversification of our customer base and increase in revenue in wind power generation business; and (iv) diversification of our revenue streams.

Foreign exchange risk

For the year ended 31 December 2020, the Group's headquarters and principal place of business were located in China. Revenue and cost of services were mainly denominated in RMB. Our Directors considered the Group's exposure to foreign currency risk is not significant during the year ended 31 December 2020. The Group will continue to monitor its foreign exchange risk and consider to hedge material foreign exchange risk as and when necessary. For the year ended 31 December 2020, the Group did not enter into any agreements or use any financial instruments to hedge foreign exchange risk.

THE IMPACT OF COVID-19

(1) Overall impact

In 2020, there is a global outbreak of COVID-19 in the PRC and countries throughout the world. In view of the relevant notice by the People's Government of Jiangsu Province which recommended companies to extend the Lunar New Year holiday and to resume business operations not earlier than 10 February 2020, we suspended our business operations from 31 January 2020 to 10 February 2020. Since we have (i) implemented comprehensive health and preventive measures against the outbreak of COVID-19 pandemic and (ii) received permission to resume business operations upon the inspection by the prevention and control team of the Jiangyin Municipal People's Government, the Group resumed business operations on 13 February 2020 pursuant to the requirements of the relevant notice from the People's Government of Jiangsu Province. As Jiangsu Province was situated in a low-risk region as a whole, and the first quarter of a year has always been a slack season, the business operation of the Group was not materially affected by COVID-19.

With the launch of vaccines to the market and the effective control of the pandemic situation in China, it is expected that COVID-19 will not materially affect the business operation of the Group in 2021.

(2) Financial impact

Upon the resumption of our business operations, the progress of production had been delayed by approximately two weeks. As at the Latest Practicable Date, to the best knowledge of our Directors after making reasonable enquiries, (i) the delivery date of purchase orders from Shanghai Electric for customised pitch drive controllers in the amount of RMB1.5 million has been slightly postponed at the request of our customer and such delivery has been completed by April 2020 where the relevant cash inflow for trade receivables has been delayed accordingly; and (ii) from 21

January 2020 to 20 March 2020, the revenue derived from our wind power generation business at our Duolun Wind Farm reduced by RMB0.4 million as compared to the corresponding period in 2019 due to the lower electricity demand from the local power grid company as a result of the suspension of business operations of various industrial and commercial enterprises, while from 21 March 2020 to 20 July 2020, such revenue increased by RMB0.9 million as compared to the corresponding period in 2019. Save as disclosed above, there is no other specific financial impact of COVID-19 on our Group.

(3) Control measures

Considering the worst scenario in case of ongoing outbreak of COVID-19, the management and our Directors evaluate that the Company will have sufficient financial resources to enable the Group and the Company to operate as going concern for at least 10 months from the date on which such financial statements are authorised. According to its current operating condition, the Group does not need to supplement the Company's cash flows through financing, and will continue to focus on new energy business and implement stringent cost control to better serve our customers.

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 (equivalent to approximately RMB98.2 million).

As stated in the prospectus of the Group dated 29 September 2020, the Company intended to utilise (1) approximately 18.7% or approximately RMB18.7 million to purchase core components and raw materials necessary for the production of customised high-voltage pitch control systems to fulfil the expected purchase volume for Jiangyin Envision pursuant to our binding ten-year framework agreement; (2) approximately 3.6% or approximately RMB3.6 million to diversify our customer base in the pitch control system market by increasing our marketing efforts; (3) approximately 31.2% or approximately RMB31.3 million for the investment into the development of a new distributed wind farm by Lingqiu Fengyuan in Lingqiu County in Datong of Shanxi Province; (4) approximately 3.8% or approximately RMB3.8 million for the recruitment of 70 additional service personnel to expand our wind farm operation and maintenance services; (5) approximately 11.4% or approximately RMB11.5 million to further strengthen our R&D capabilities to enrich our pitch control systems and solutions offering; (6) approximately 21.3% or approximately RMB21.4 million for full repayment of a loan due to a third party by our Duolun Wind Farm; (7) approximately 10% or approximately RMB10 million for our general working capital.

Further details of the use of proceeds are set out in the section headed “Future plans and use of proceeds” in the prospectus.

The future plans and use of proceeds as disclosed in the prospectus were based on the best estimation of the future market conditions by the Group at the time of preparing the prospectus, and the proceeds will be applied with consideration of the actual business development and market conditions. As at 31 December 2020, the Group does not anticipate any change to the plan as to the use of listing proceeds. The abovementioned listing proceeds have not yet been utilised and have been placed with licensed bank in Hong Kong.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company has entered into a project agreement with the New Energy Industrial Park, Jiangsu Jiangyin Lingang Economic Development Zone* (江蘇江陰臨港經濟開發區新能源產業園) on 10 March 2021 in relation to a possible acquisition (the “**Possible Acquisition**”).

Details of the Possible Acquisition is set out in the Company’s announcement dated 10 March 2021.

Save as disclosed above, up to the date of this report, the Directors are not aware of any other material events relating to the business or financial performance of the Group during the year ended 31 December 2020.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group did not have any significant investment or material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the period from 20 October 2020 (the “**Listing Date**”) to 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Saved as disclosed in the sections head “Future Plans and use of proceeds” in the prospectus of the Company dated 29 September 2020, the Group did not have any future plans for materials investments and capital assets during the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices. In the opinion of the Directors, throughout the period from the Listing Date to 31 December 2020, the Company has complied with the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries with each director and each of them confirmed that he or she had complied with all required standards under the Model Code for the year ended 31 December 2020.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2020.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee has three members comprising three independent non-executive Directors, being Mr. Yip Chun On (“Mr. Yip”), Mr. Kang Jian and Mr. Li Shusheng. The Audit Committee is chaired by Mr. Yip, who has appropriate professional qualifications and experience as required by Rule 3.10(2) of the Listing Rules. The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 December 2020 and the financial statements for the year ended 31 December 2020 prepared in accordance with the IFRSs.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Friday, 25 June 2021. Notice of the 2021 AGM will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

From Tuesday, 22 June 2021 to Friday, 25 June 2021 (both days inclusive), during that period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the 2021 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 21 June 2021 for registration of transfer.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.jyhhyne.com and the Stock Exchange's website at www.hkexnews.hk. The annual report for the year ended 31 December 2020 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, 26 March 2021

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. Wang Lubin and Mr. Li Hao and three independent non-executive Directors, namely, Mr. Yip Chun On, Mr. Kang Jian and Mr. Li Shusheng.