中國納泉能源科技控股有限公司

China Nature Energy Technology Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1597

ANNUAL REPORT 2020

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COMPANY'S PROFILE

The Group is a leading wind power and pitch control system solution provider in the PRC. On 20 October 2020, the Group has successfully listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 1597).

We primarily engage in R&D, integration, manufacture and sale of high-voltage pitch control systems for wind turbines. We also offer customised integration services of major components of pitch control systems. We are the one of the pioneers in manufacturing high-voltage integrated pitch system in the industry. Through utilising digital optimisation and integration technology for our software and hardware system, we achieve digitalised wind power high-voltage pitch control, with product types covering sophisticated models for 2–5 MW series. With our advanced technology, R&D and design capabilities, strong production capabilities with comprehensive quality assurance and experienced, stable and dedicated management team, the Group's pitch system products successfully served quality customers within the industry, including wind power manufacturers such as Envision Energy, Zhejiang Windey, Shanghai Electric, CRRC Group, Sany Group, etc. According to the F&S Report, we ranked third in the pitch control system market in the PRC in terms of sales volume in 2018 with a market share of 10.5% and ranked fourth in the market in terms of sales value in 2018 with a market share of 7.5%.

We are also a wind power generator 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. We sell electricity to the Local Power Grid Company under annual power purchase agreements entered into with them.

We also provide wind farm operation and maintenance services. Our team currently consists of over 70 staff, all of whom have undergone professional technical trainings and possess relevant certificates, providing services for over 30 wind farms in 16 provinces in the PRC. Our professional and efficient services give all our wind farm customers peace of mind and assurance.

The Group has developed into an industry leading enterprise with its three core businesses of pitch control system related integration, manufacturing and sales, wind power generation and wind farm operation and maintenance. Through promoting the spirit of dedication, we will continue to provide customers with high quality products and services, in order to create more value for our customers, investors, employees and the society.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Liquan Richard *(Chairman)*
Mr. Cheng Li Fu Cliff *(Chief executive officer)*

Non-executive Directors

Mr. Wang Lubin
Mr. Li Hao

Independent non-executive Directors

Mr. Yip Chun On
Mr. Kang Jian
Mr. Li Shusheng

AUDIT COMMITTEE

Mr. Yip Chun On *(Chairman)*
Mr. Kang Jian
Mr. Li Shusheng

NOMINATION COMMITTEE

Mr. Cheng Liquan Richard *(Chairman)*
Mr. Yip Chun On
Mr. Li Shusheng

REMUNERATION COMMITTEE

Mr. Li Shusheng *(Chairman)*
Mr. Cheng Liquan Richard
Mr. Yip Chun On

AUTHORISED REPRESENTATIVES UNDER LISTING RULES

Mr. Cheng Liquan Richard
Ms. Tang Wing Shan Winza *(ACG ACS)*

JOINT COMPANY SECRETARIES

Mr. Pan Honghuang
Ms. Tang Wing Shan Winza *(ACG ACS)*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

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Jiangsu Province
China

PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

COMPLIANCE ADVISER

Fortune Financial Capital Limited

INDEPENDENT AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

STOCK CODE

1597

WEBSITE

www.jyhyne.com

LISTING DATE

20 October 2020

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER

Unit: RMB'000	2020	2019	Percentage change
Revenue	**338,895**	222,835	52.1%
Gross profit	**73,570**	66,397	10.8%
Gross profit margin	**21.8%**	29.8%	−8%
Profit attributable to shareholders	**40,173**	42,545	−5.6%
Earnings per share (RMB)	**0.201**	0.227	−11.5%

FOR THE YEAR ENDED 31 DECEMBER

Unit: RMB'000	2020	2019	Percentage change
Cash and cash equivalents Pledged deposits	**152,375**	42,229	260.8%
Total liabilities	**306,325**	197,544	55.1%
Net liabilities (total liabilities minus cash and cash equivalents and pledged deposits)	**153,950**	155,315	−0.9%
Total equity	**241,101**	105,642	128.2%

CHAIRMAN'S STATEMENT

Dear Shareholders,

At the beginning of 2020, the outbreak of COVID-19 around the world increased economic growth pressure globally. However, as the epidemic was fully under control in China, the resumption of work and production in all major industries was effectively secured, and there was no material adverse impact on companies in the wind power industry chain in general.

Technological advancement, industrial upgrades and market optimisation are driving the trend towards wind power price parity, and the wind power industry is on the track of mature and stable development. As the new energy development policy continues, the large-scale investment in the wind power industry will remain and increase steadily.

2020 was a year of leapfrog development for the Group, with its three major businesses, namely pitch control system related integration, manufacturing and sales, wind power generation, and wind farm operation and maintenance, firmly in place. The Group actively explored new customers and added industry-leading quality customers such as CRRC Group (中車集團), Zhejiang Windey and Sany Group to the original customer base of Envision Energy, ensuring the long-term and stable development and leading market share of the Group. The Group achieved an operating income of RMB338.9 million and net profit of RMB40.4 million in 2020 with sufficient cash flow and stable financial condition, which may effectively support the execution of existing orders and the development of new businesses of the Group.

2021 is the opening year of the "14th Five-Year" Plan, and the wind power industry will officially welcome the era of price parity. As a representative of renewable energy, wind power will be an important cornerstone for energy restructuring and transformation. The new installed capacity of wind power will continue to increase constantly, which will give a huge impetus to the development of wind power industry chain companies. The Group will continue to focus on green energy, actively explore and continue to maintain product quality, leading technology, and quality service. We strongly believe that China Nature Energy will emerge stronger, healthier and in a more disciplined manner as it embraces the new era of new energy development.

Lastly, I would like to express my sincere gratitude to our shareholders, customers and partners for their strong support to the Company, and to the directors, management team and all employees of the Company for their hard work and efforts in 2020.

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 2647 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	**338,895**	222,835

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 RMB'000	2019 RMB'000
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, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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.

As at 31 December 2020, the balance of the pledged bank deposits and cash and cash equivalents amounted to approximately RMB152.4 million, representing an increase of approximately RMB110.2 million from approximately RMB42.2 million as at 31 December 2019.

The bank and other borrowings of the Group as at 31 December 2020 were denominated in RMB, with an annual interest rate of 3.5%–7%.

As at 31 December 2020, the interest bearing bank and other borrowings of the Group amounted to RMB93.6 million, which was largely consistent with the amount of RMB93.2 million in the previous year. Short-term loans and borrowings amounted to approximately RMB93.6 million (2019: approximately RMB79.7 million), while long-term loans and borrowings amounted to nil (2019: approximately RMB13.5 million).

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).

SIGNIFICANT INVESTMENTS HELD

Save as disclosed, the Group had not held any significant investments as at 31 December 2020 (as at 31 December 2019: nil).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 December 2020, the Group did not have any significant investments, nor did it conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures. Save for the information disclosed in this annual report, as at the date of the annual report, the Group did not have any significant investments or acquire any capital assets approved by the Board.

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.

The Company has no share option scheme as at the date of this annual report.

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.

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). 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 "Future plans and use of proceeds" in the prospectus.

As at 31 December 2020, the Group did not utilize any of the net proceeds from listing. Unutilized net proceeds have been placed with licensed bank in Hong Kong. As at 31 December 2020, as far as the Directors are aware, the intended use of proceeds as stated in the section headed "Use of proceeds" in the prospectus had no material changes. In 2021, the Company will utilize the proceeds from initial public offering according to its development strategies, market conditions and the intended use of such proceeds.

The following table stated the Group's usage of the net proceeds during the period between the listing date and 31 December 2020 and the estimated utilization schedule:

Use of net proceeds	Total net proceeds from initial public offering (RMB million) *(Note 1)*	Planned use of net proceeds for the year ended 31 December 2020 (RMB million) *(Note 1)*	Utilized for the year ended 31 December 2020 (RMB million)	Total remaining net proceeds available as at 31 December 2020 (RMB million)	Estimated schedule for full utilization of the remaining net proceeds
(1) 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 *(Note 2)*	17.9	17.9	—	17.9	From 1 January 2021 to 31 December 2021
(2) Diversify our customer base in the pitch control system market by increasing our marketing efforts *(Note 3)*	3.4	0.7	—	3.4	From 1 January 2021 to 31 December 2022
(3) Invest into the development of a new distributed wind farm by Lingqiu Fengyuan in Lingqiu, Datong, Shanxi	31.3	—	—	31.3	From 1 January 2021 to 30 June 2021
(4) Recruit 70 additional service personnel to expand our wind farm operation and maintenance services *(Note 4)*	3.6	0.3	—	3.6	From 1 January 2021 to 30 June 2022
(5) Further strengthen our R&D capabilities to enrich our pitch control systems and solutions offering *(Note 5)*	10.9	4.8	—	10.9	From 1 January 2021 to 31 December 2022
(6) Full repayment of a loan due to a third party by our Duolun Wind Farm *(Note 6)*	21.4	21.4	—	21.4	From 1 January 2021 to 31 December 2021
(7) General working capital *(Note 7)*	9.6	1.9	—	9.6	From 1 January 2021 to 31 December 2022

Note 1: As disclosed in the prospectus, after deducting underwriting fees and relevant expenses paid by the Company and assuming the over-allotment option is not exercised, the estimated net proceeds from the initial public offering amounted to approximately RMB100.3 million. The actual net proceeds of the Company as at 31 December 2020 amounted to approximately RMB98.2 million. Save for those intended for (1) the investment into the development of a new distributed wind farm in Lingqiu, Datong, Shanxi; and (2) the full repayment of a loan due to a third party by our Duolun Wind Farm, the Company intended to make adjustment for the difference of RMB2.1 million according to the same method and proportion of use of proceeds as disclosed in the section headed "Future plans and use of proceeds" in the prospectus.

Note 2: As of 31 December 2020, due to the better-than-expected collection of sales returns from the customer, Jiangyin Envision, and the extension of the procurement payment cycle as agreed in the supplier agreement, the Company was able to use the funds from the collection of sales returns to purchase raw materials in order to complete the purchase order from the customer, Jiangyin Envision, in 2020. The Company expects that it will still need to continue to fulfill the purchase orders corresponding to the relevant sales of the customer, Jiangyin Envision, in 2021 and expects to use the net proceeds to purchase core components and raw materials in 2021 to meet the expected demand of Jiangyin Envision.

Note 3 : As of 31 December 2020, due to the pandemic, the Company originally planned to participate in the WindEnergyhamburg in Hamburg, Germany, which was held online instead of in the original of an on-site exhibition. The Company considered that the effect of online exhibition on its business expansion was not significant and did not participate in this exhibition. Currently, the Company is still negotiating with new customers in relation to the R&D and manufacture of prototype. At present, the negotiation progress has not yet reached an agreement on the purchase of prototype. The Company expects to complete the delivery of prototype in 2021 according to the final negotiation results with new customers and its requirements. The Group currently plans to recruit additional sales personnel, but no suitable candidate can be identified as at 31 December 2020. The Group expects to continue to recruit additional sales personnel in 2021 to effectively expand its customer base.

Note 4: The Group originally planned to recruit additional operation and maintenance personnel from the Listing Date to 31 December 2020, but the original operation and maintenance team had a total of 5 employees resigned. The Company currently plans to give priority to filling the vacancies of these positions, but no suitable operation and maintenance personnel had been identified as at 31 December 2020. The Company will continue to recruit operation and maintenance personnel in 2021 and continue to expand operation and maintenance services.

Note 5: The Group originally planned to purchase additional R&D equipment and software from the Listing Date to 31 December 2020. Currently, the Group's technical team and procurement team are still negotiating with suppliers on the acquisition of additional R&D equipment and software, and no procurement agreement have been reached by 31 December 2020. The Company expects to purchase additional R&D equipment and software in 2021 based on the final negotiation with suppliers.

Note 6: The Group originally planned to repay the amount due to a third party by 31 December 2020. After friendly negotiation with the lender, the parties entered into an extension agreement, under which the maturity is delayed till before 31 December 2021.

Note 7: As of 31 December 2020, the Group's collection of sales returns were better than expected, and can satisfy the normal operation need of the Company, resulting in a delay in the utilization plan of the general working capital.

EXECUTIVE DIRECTORS

Mr. Cheng Liquan Richard ("Mr. Richard Cheng") (程里全), aged 55, is an executive Director and the chairman of our Board. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. He is primarily responsible for the overall strategic planning and development and overseeing the financial management and planning of our Group. Mr. Richard Cheng has been a director of China Transport Real Time Service Co.,Ltd. since 10 November 2011. Mr. Richard Cheng is also a director of various subsidiaries of the Company.

Mr. Richard Cheng is an experienced entrepreneur in renewable energy and environmental projection industry for more than 15 years. Prior to founding our Group, Mr. Richard Cheng joined Bit Technology Holding Co., Ltd. (比特科技控股股份有限公司), and held various positions as deputy manager, general manager, the chairman of the board and a director from April 2000 to March 2003. Since 2004, Mr. Richard Cheng served as a director at Ningbo Bonded Area Jiujiu Leasing Co. Ltd. (寧波保税區久久租賃有限公司) (previously known as Ningbo Huaneng Leasing Co. Ltd. (寧波華能租賃有限公司)) ("Ningbo Jiujiu")#. Mr. Richard Cheng was appointed as a director of Beijing Boqi Electric Power SCI-TECH Co., Ltd. (北京博奇電力科技有限公司) ("Beijing Boqi") in June 2005 and became the chairman of the board of Beijing Boqi in December 2007 and then served as its chief executive officer from December 2009 to February 2017. Mr. Cheng currently serves as the chairman of its board of Beijing Boqi, an executive director of Beijing Shengyi Tiancheng Environmental SCI-TECH Co., Ltd.* (北京聖邑天成環保科技有限公司), Zhejiang Boqi Electric Power SCI-TECH Co., Ltd.* (浙江博奇電力科技有限公司) and Anhui Nengda Fuel Co., Ltd* (安徽能達燃料有限公司).

Mr. Richard Cheng has been a director of China Boqi Environmental (Holding) Co., Ltd. (中國博奇環保 (控股) 有限公司) ("China Boqi"), a company listed on the Stock Exchange (stock code: 02377) which is a flue gas treatment service provider since his appointment in January 2015.

Mr. Richard Cheng is a director of Hongyuan Company Limited, wholly-owned by him, which directly holds 75% of the shares of the Company in issue.

Mr. Richard Cheng is the younger brother of Mr. Cliff Cheng.

Mr. Richard Cheng received his bachelor's degree in political economy from Fudan University in July 1987.

Mr. Cheng Li Fu Cliff ("Mr. Cliff Cheng") (程里伏), aged 62, is our executive Director and the chief executive officer. He is primarily responsible for overseeing the daily operations and overall general management of our Group. Mr. Cliff Cheng has been serving as a general manager and an executive director of Jiangyin Hongyuan New Energy Technology Company Limited* (江陰弘遠新能源科技有限公司), since October 2015. Mr. Cliff Cheng is also a director of various subsidiaries of the Company.

Mr. Cliff Cheng has more than four years of experience in wind power industry. Prior to joining our Group, Mr. Cliff Cheng worked for Chi Tel Limited (大唐電訊有限公司) as a sales manager during November 2003 and August 2006. From August 2008 to January 2015, Mr. Cliff Cheng was a marketing manager of Beijing BiTe, a company primarily engaged in technology development and consultancy and sale of electronic products, mechanical equipment and computer system services.

Mr. Cliff Cheng is the elder brother of Mr. Richard Cheng.

Mr. Cliff Cheng graduated from Shanghai Peijin School (上海市培進中學) in February 1976.

NON-EXECUTIVE DIRECTORS

Mr. Wang Lubin ("Mr. Wang") (王魯彬), aged 65, was appointed as our non-executive Director on 19 March 2020.

From September 1994 to October 2016, Mr. Wang served as a manager at Shandong Tianhui Technology Co., Ltd. (山東天輝科技有限公司), which was a solution provider for the power industry. Since January 2017, Mr. Wang has been an executive director of Beijing Kexun Century Technology Co., Ltd.* (北京科訊世紀科技有限公司), which is primarily engaged in supplying equipment and products and providing technical services, both in relation to the power industry, where he is responsible for corporate management.

Mr. Wang graduated from Shandong University, where he received his bachelor's degree in engineering in July 1982 and a master's degree in engineering in January 1985.

Mr. Wang was the legal representative of Shandong Hengshun Electric Application Co., Ltd. (山東恒順電器有限公司) ("Shandong Hengshun") which was engaged in the sales of power units. The business license of Shandong Hengshun was revoked on 23 October 2003 as Shandong Hengshun was unable to complete the process of deregistration upon its cessation of business. Mr. Wang confirmed that (i) Shandong Hengshun was solvent at the time of the revocation of business license, and he was not in charge of daily operation; (ii) no claims had been made against him; (iii) he was not aware of any threatened and potential claims made against him; (iv) there were no outstanding claims and/or liabilities against him in connection with or as a result of such revocation of business license.

Mr. Wang is primarily responsible for providing strategic advice to the business and operation of our Group, in particular in aspects in relation to our customers, such as identification and introduction of potential customers of pitch control systems and the maintenance of business relationship in relation thereto. With Mr. Wang's extensive experience in the power-related industry and his considerable business network within the industry, it is expected that the presence of Mr. Wang in our Board is beneficial to our Group's business development. Mr. Wang has been devoted to our Group's affairs since his appointments including contributing to our business network extension by introducing and attending meetings with potential customers, providing strategic advice as well as attending board meeting and related affairs, and are expected to devote one to two days per week for our Group's affairs during his tenures.

Mr. Li Hao (李浩), aged 56, was appointed as our non-executive Director on 19 March 2020.

From January 2000 to December 2010, Mr. Li Hao served as a senior manager of Dongling (Holding) Corporation (東淩集團有限公司). Since January 2011, Mr. Li Hao has been serving as a general manager of Guangzhou Weisong Investment Co., Ltd.* (廣州煒嵩投資有限公司).

Mr. Li Hao graduated from Nantong Municipal Party School of CPC (中共南通市委黨校) in business management in July 1994.

Mr. Li Hao is primarily responsible for providing strategic advice to the business and operation of our Group, in particular in aspects in relation to our customers, such as identification and introduction of potential customers of pitch control systems and the maintenance of business relationship in relation thereto. It is also expected that the presence of Mr. Li Hao in our Board is beneficial to our Group's business development, particularly in view of his connection with customers and/or potential customers of our Group, which was developed in the course of his previous employment as his previous employer was a business partner of such customers and/or potential customers of our Group. Mr. Li Hao has been devoted to our Group's affairs since his appointments including contributing to our business network extension by introducing and attending meetings with potential customers, providing strategic advice as well as attending board meeting and related affairs, and is expected to devote one to two days per week for our Group's affairs during his tenures.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Chun On ("Mr. Yip") (葉俊安), aged 45, was appointed as our independent non-executive Director on 4 September 2020. Mr. Yip is the chairman of the Audit Committee, a member of the Remuneration Committee and the Nomination Committee, and he is responsible for providing independent advice and opinions to our Board.

Mr. Yip has more than 22 years of experience in accounting and finance. From August 1997 to March 2000, Mr. Yip served as an auditor at Chan Chee Cheng & Co. (陳池鄭會計師事務所), a certified public accountant firm in Hong Kong. From March 2000 to March 2001, April 2001 to March 2002 and April 2002 to November 2003, Mr. Yip served as a staff accountant, semi-senior accountant and senior accountant respectively at Deloitte Touche Tohmatsu (德勤會計師事務所) in Hong Kong, an independent firm providing audit and assurance consulting and related services. From April 2004 to January 2005, Mr. Yip served as an assistant manager at CSC Asia Limited (群益亞洲有限公司), a company providing investment services. From February 2005 to May 2005, Mr. Yip served as a supervisor at Grant Thornton LLP, a firm providing audit, tax and advisory services.

From May 2005 to May 2010, Mr. Yip served as a group financial controller and deputy company secretary at Jackin International Holdings Limited (輝影國際集團有限公司), a company listed on the Stock Exchange, currently known as AMCO United Holding Limited (Stock Code: 0630), which was principally engaged in manufacturing and trading information storage media products and computer accessories.

From June 2010 to October 2015, Mr. Yip served as an assistant financial controller at Fountain Set (Holdings) Ltd. (福田實業 (集團) 有限公司), a company engaged in producing and selling dyed fabrics, sewing threads and yarns and listed on the Stock Exchange (stock code: 0420). Since April 2016, Mr. Yip served as a managing director at AdviseOnAir (維斯澳而諮詢公司), a business solution provider in Hong Kong, where he is responsible for providing internal control, risk management review and consulting services to clients in Hong Kong and the PRC. Mr. Yip has also been an independent non-executive director of Superland Group Holdings Limited (stock code: 368) since June 2020.

Mr. Yip received his bachelor's degree in accountancy from Hong Kong Polytechnic University (香港理工大學) in November 1997. Mr. Yip has been a member of the Association of Chartered Certified Accountants since November 2000, and a member of the Hong Kong Institute of Certified Public Accountants since April 2001.

Mr. Kang Jian ("Mr. Kang") (康健), aged 57, was appointed as our independent non-executive Director on 4 September 2020. Mr. Kang is also a member of the Audit Committee.

Mr. Kang has more than 20 years of experience in strategic management, marketing management and investor relations management for large state-owned and multinational companies. Mr. Kang served as a regional manager of Canadian Tucows Inc. from April 2000 to March 2003. He was a global business development manager of the department of automation system of the automation & drives group and the director of strategic development and customer relations of the strategic marketing department at Siemens Ltd., China from February 2004 to July 2009 and vice general manager and the secretary of the board of Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司), a joint stock company incorporated in the PRC whose shares are listed on the Stock Exchange in 2011 (stock code: 00579), since December 2009.

Mr. Kang received a bachelor's degree in international trade from Beijing University of Technology (北京工業大學) (formerly known as the First Branch of Renmin University of China (中國人民大學第一分校)) in July 1988. Mr. Kang received a master's degree in business administration from Rensselaer Polytechnic Institute in May 1999.

Mr. Li Shusheng (李書升), aged 56, was appointed as our independent non-executive Director on 4 September 2020. Mr. Li Shusheng is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Li Shusheng has more than 15 years of experience in wind power industry. From September 2000 to October 2018, Mr. Li Shusheng served as a general manager, chairman and communist party secretary of CECEP Wind-power Corporation Co., Ltd. (中節能風力發電股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 601016) which is mainly engaged in development, investment, management, construction, operation and maintenance of wind power projects. Mr. Li Shusheng served as a general manager of Shenzhen Futainian Investment Management Co., Ltd. (深圳市福泰年投資管理有限公司), a company engaged in investment management and consultancy services, since February 2019.

Mr. Li Shusheng received his executive master of business administration at Tsinghua University in July 2008.

SENIOR MANAGEMENT

Ms. Wu Qiong (吳瓊), aged 50, was appointed as the financial officer since she joined our Group in November 2015. Ms. Wu Qiong is primarily responsible for managing the finances of our Group.

Ms. Wu Qiong has more than 15 years of experience in finance management. Prior to joining our Group, Ms. Wu Qiong was a financial officer of Nanjing Mudong Trade Co., Ltd.* (南京睦東貿易有限公司 (formerly known as Nanjing Powder Metallurgy Factory* (南京粉末冶金廠))) from December 1991 to December 1996 and Nanjing Dongmu Powder Metallurgy Co., Ltd.* (南京東睦粉末冶金有限公司 (formerly known as Nanjing Boteng Powder Metallurgy Co., Ltd* (南京博騰粉末冶金有限公司))) from January 1997 to May 2002 where she was responsible for wage and cost accounting, and current-account management. From March 2003 to April 2015, Ms. Wu Qiong was the financial manager of Shanghai Yingzhen Technology Co., Ltd (上海英震科技有限責任公司) (formerly known as Shanghai Nature Power Technology Co., Ltd. (上海納泉電力科技有限公司)), where she was primarily responsible for day-to-day financial management and cost control.

Ms. Wu Qiong received her certificate in applied electronical technology from Nanjing Electronical and Industrial Workers University (南京電子工業職工大學) in February 1996. She graduated from the Open College of China Communist Party School (中共中央黨校函授學院) with a bachelor's degree in December 2000. Ms. Wu obtained a certificate of intermediate accountant in May 2002.

Mr. Liu Zhixin (劉志信), aged 31, was appointed as our deputy general manager of procurement in October 2015. He is primarily responsible for procurement and supplier management.

From August 2012 to July 2013, Mr. Liu Zhixin served as an after-sales service engineer at Jinan Guolong Tester Co., Ltd. (濟南國龍試驗機有限公司), where he was primarily responsible for after-sales service and technical support. From July 2013 to September 2015, Mr. Liu Zhixin served as a process engineer at Jinan Youli Electrical Equipment Co., Ltd. (濟南優利電氣成套設備有限公司). He was mainly responsible for developing and stabilising production process.

Mr. Liu Zhixin received his certificate in mechatronics from Weifang College of Science and Technology in July 2012.

Mr. Zhao Tongliang ("Mr. Zhao") (趙同亮), aged 33, was appointed as our deputy general manager of technology in February 2016. He is primarily responsible for designing and developing KEB pitch drive controller system, and technical support.

Mr. Zhao has over seven years of experience in the technical and R&D of pitch control systems. Prior to joining our Group, Mr. Zhao served at Jinan Youli Electrical Equipment Co., Ltd. (濟南優利電氣成套設備有限公司) as an electrical engineer from September 2012 to May 2015, responsible for technical maintenance supports for pitch control systems. From June 2015 to February 2016, Mr. Zhao Tongliang served as an electrical design engineer at Shandong Huaye Investment Corporation Co., Ltd. (山東華業集團), a wind turbine blades manufacturer and supplier where he was responsible for designing and developing programs.

Mr. Zhao received a bachelor's degree in mechatronics from Shandong University in December 2013.

Ms. Zhou Lingyun ("Ms. Zhou") (周凌芸), aged 34, was appointed as our deputy manager of production since October 2015, and she is responsible for operations, production and quality management.

Prior to joining our Group, Ms. Zhou served as an exposure worker at Wuxi China Resources Microelectronics Co., Ltd (無錫華潤微電子有限公司) from July 2006 to September 2008, a subsidiary of China Resources (Holding) Co., Ltd. (華潤 (集團) 有限公司). From August 2011 to September 2012, Ms. Zhou served as a manager of the quality inspection department at Jiangyin Aikesen Communication Material Co., Ltd. (江陰愛科森通信材料有限公司).

Ms. Zhou received a bachelor's degree in electric automatisation from Southeast University in January 2012. She obtained a certificate of accounting profession in February 2013.

Ms. Liu Na ("Ms. Liu") (劉娜), aged 32, was appointed as our deputy general manager of business human resource since March 2017, and she is primarily responsible for business development.

From March 2011 to March 2017, Ms. Liu served as a trainer at Jiangyin Huibang Clothing Co., Ltd (江陰匯邦服飾有限公司), where she was mainly responsible for branding and training.

Ms. Liu received a bachelor's degree in human resources management from Changzhou University in June 2011.

Mr. Pan Honghuang ("Mr. Pan") (潘紅煌), aged 34, was appointed as our company secretary on 17 March 2020 and re-designated as our joint company secretary on 19 March 2020. Mr. Pan was appointed as the assistant of chairman and secretary to the board of Jiangyin Hongyuan on 1 July 2019. He is primarily responsible for attending company secretarial matters of the Group.

Prior to joining our Group, Mr. Pan served as an investment manager at Shanghai Heheng Industrial Investment and Development Co., Ltd. (上海和衡實業有限公司) from August 2009 to September 2012. He was primarily responsible for project research, evaluation and design. From October 2012 to July 2014, Mr. Pan joined Zhongminfei General Aviation Investment Management (Beijing) Co., Ltd. (中民飛通用航空產業投資管理 (北京) 有限公司), he served as an assistant to the president and was responsible for equity investment and fund management. From July 2014 to October 2016, Mr. Pan served as an investment director at Beijing Didun Investment Management Co., Ltd. (北京迪頓投資管理有限公司). He is responsible for equity investment and fund raising. From October 2016 to March 2018, Mr. Pan served as an investment and development director at China Woteer Water Technology Co., Ltd. (中工沃特爾水技術股份有限公司). He is responsible for overall equity financing and bank financing. From March 2018 to July 2019, Mr. Pan served as an investment director at Beijing Longyuan Chuangquan Technology Co., Ltd. (北京龍源創泉科技有限公司). He is responsible for investing in environmental industry.

Mr. Pan received a bachelor's degree in marketing from Anhui University of Finance and Economics (安徽財經大學) in July 2009. Mr. Pan received a master's degree in business administration from Beihang University (北京航空航天大學) in June 2017. Mr. Pan was awarded the Board Secretary Qualification Certificate (董事會秘書資格證書) by the National Equities Exchange and Quotations Co., Ltd (全國中小企業股份轉讓系統有限責任公司) in January 2018.

\# The business license of Ningbo Jiujiu was revoked by the relevant authority. Pursuant to the relevant PRC regulations, PRC companies are required to perform annual inspections. Failure to perform annual inspection or inspection before 30 June, the companies shall be fined or the business licence shall be revoked by the administration of Industry and Commerce. To our best knowledge, (i) the business license of Ningbo Jiujiu was revoked; (ii) Ningbo Jiujiu did not have any actual business activities during the time its business licence was revoked; and (iii) Ningbo Jiujiu was solvent prior to its revocation of business license. Mr. Richard Cheng confirmed that Ningbo Jiujiu did not have any business activities, and he was not involved in the business operations during the time Ningbo Jiujiu failed to execute its annual inspection. Our PRC legal advisers are of the view that there is a remote possibility that Mr. Cheng will take any director responsibilities raising from the winding-up of Ningbo Jiujiu caused by its failure to go through the formalities of annual inspection.

* The English names of PRC nationals, entities, departments, facilities, certificates, titles, etc. are translations of their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.

CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board" or "Director(s)") is pleased to report to its shareholders on the corporate governance of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

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 of 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 conducted by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own Code of Conduct for securities transactions conducted by relevant Directors.

Specific enquiry has been made to all the Directors and each of the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the period from the Listing Date to 31 December 2020.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the businesses, strategic decisions and performance of the Company and its subsidiaries (the "Group") and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

BOARD COMPOSITION

The composition of the Board and the attendance record of each Director at board meetings since the date of Listing and up to 31 December 2020 are as below.

Executive Directors

Mr. Cheng Liquan Richard *(Chairman)*
Mr. Cheng Li Fu Cliff *(Chief executive officer)*

Non-executive Directors

Mr. Wang Lubin
Mr. Li Hao

Independent non-executive Directors

Mr. Yip Chun On
Mr. Kang Jian
Mr. Li Shusheng

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 17 to 22 of this annual report.

Save as disclosed in the prospectus of the Company dated 29 September 2020 and in this annual report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationship(s) among the Directors.

BOARD AND BOARD COMMITTEES MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

As the Company was listed on the Stock Exchange on 20 October 2020, the relevant standards were not applicable to the Company during the period from 1 January 2020 to 19 October 2020. The Company has not held a members' general meeting, remuneration committee meeting and nomination committee meeting since the Listing Date. The Chairman has not held a meeting with the independent non-executive directors without the presence of other directors during the period since the Listing Date to 31 December 2020.

A summary of the attendance records of the Directors at the Board meetings and the respective Board committees meetings held during the period from the Listing Date to 31 December 2020 is set out below:

	Attendance/Number of Meeting(s)				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Cheng Liquan Richard	1/1	N/A	Nil	Nil	Nil
Cheng Li Fu Cliff	1/1	N/A	N/A	N/A	Nil
Wang Lubin	1/1	N/A	N/A	N/A	Nil
Li Hao	1/1	N/A	N/A	N/A	Nil
Yip Chun On	1/1	1/1	Nil	Nil	Nil
Kang Jian	1/1	1/1	N/A	N/A	Nil
Li Shusheng	1/1	1/1	Nil	Nil	Nil

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The position of chairman of the Company (the "Chairman") is held by Mr. Cheng Liquan Richard and the positions of chief executive officers is held by Mr. Cheng Li Fu Cliff. The Chairman is primarily responsible for the overall strategic planning and development of our Group and overseeing the financial management and planning of our Group. The chief executive officer is primarily responsible for overseeing the daily operations and overall general management of our Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

From the Listing Date to 31 December 2020, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The non-executive Directors (including independent non-executive Directors) are appointed for an initial fixed term of three years commencing from the Listing Date, subject to termination on certain circumstances as stipulated in their respective service contracts and letter of appointment.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the amended and restated articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Company's amended and restated articles of association also provides that all Directors appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to management team.

The Company has arranged appropriate liability insurance on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2020 and prior to the Listing, all of the Directors, namely, Mr. Cheng Liquan Richard, Mr. Cheng Li Fu Cliff, Mr. Wang Lubin, Mr. Li Hao, Mr. Yip Chun On, Mr. Kang Jian and Mr. Li Shusheng participated in a training session conducted by Deacons, the legal adviser of the Company as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders of the Company upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

AUDIT COMMITTEE

The Audit Committee consists of three Independent non-executive Directors, namely Mr. Yip Chun On, Mr. Li Shusheng and Mr. Kang Jian. Mr. Yip Chun On is the chairman of the Audit Committee.

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee include, among other things, making recommendations to the Board on the appointment, reappointment and removal of the external auditor, reviewing our Group's financial information, overseeing our Group's financial reporting system, risk management and internal control systems.

During the year ended 31 December 2020, the Audit Committee has met with the Company's management to review its final financial statements for the Year and met with the Company's auditor to discuss audit approach and key audit matters and recommendations to the Board on the appointment of external auditor.

The Company's annual results announcement and annual report have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members, being 2 independent non-executive Directors namely Mr. Li Shusheng, Mr. Yip Chun On and 1 executive Director namely Mr. Cheng Liquan Richard. The Majority of the members are independent nonexecutive Directors. Mr. Li Shusheng is the chairman of the Remuneration Committee.

The Company established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary functions of the Remuneration Committee include, among other things, making recommendations to the Board on our Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee has not held any meeting during the period from the Listing Date to 31 December 2020.

Details of the remuneration of the senior management by band are set out in note 9 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee consists of three members, being 2 independent non-executive Directors namely Mr. Yip Chun On, Mr. Li Shusheng and 1 executive Director namely Mr. Cheng Liquan Richard. The Majority of the members are independent non-executive Directors. Mr. Cheng Liquan Richard is the chairman of the Nomination Committee.

The Company has established the Nomination Committee in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee has not held any meeting during the period from the Listing Date to 31 December 2020.

BOARD DIVERSITY POLICY

The Nomination Committee is authorised by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive. When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity, experience and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities will be taken into consideration as a whole. In the case of independent non-executive directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to professional skills, regional and industry experience, knowledge, gender, age, cultural and educational background, ethnicity and length of service would be considered in accordance with the Board Diversity Policy adopted by the Board.

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will report annually on the Board's composition under diversified perspectives and monitor the implementation of the Board Diversity Policy.

In designing the Board's composition and selection of candidates, Board diversity has been considered from a range of diversity perspectives, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. All Board appointments will be based on merits and the contribution which the selected candidates are expected to bring to our Board.

Our Board has a balanced mix of knowledge, skills and experiences in renewable energy, environmental protection, engineering, business management, accounting and finance, strategic, marketing and investors relations management. Our Board also comprises directors of a wide range of age, ranging from 45 years old to 64 years old. While we recognize that gender diversity at the Board level can be improved given its current composition of all-male Directors. We will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. We will actively identify female individuals suitably qualified to become the Board members and we aim to introduce female Board member to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

As no corporate governance committee has been established, the Board is responsible for, among after things, formulating and reviewing the policies and practices on corporate governance of the Group and making recommendations, monitoring the compliance of legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the Group's compliance with the CG Code and the disclosures in the annual report. The corporate governance report has been reviewed by the Board in the discharge of its corporate governance function. Further, the Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the ''Code'') and will comply with the code provisions in the Code. The Code sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

To the best knowledge of the Directors, during the Year, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading management team and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has engaged an independent internal control advisor to perform a review on our overall internal control procedures, which includes financial reporting, operations, compliance and risk management. During the review, the internal control advisor recommended remedial actions in relation to weaknesses or deficiencies identified during the review process. The internal control advisor also performed a follow-up review after we had adopted their suggested measures, and no material deficiency has been identified.

In addition, the Company has various internal guidelines, written policies and procedures to monitor and alleviate the risks arising from our daily operations. The Company Directors and management closely monitor the implementation and assess the effectiveness of these guidelines and measures which are crucial to the Company business sustainability.

The Company has developed system of internal control and risk management for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. The Company has not established a separate internal audit department; instead, an external consultant was engaged to review the Group's internal control and risk management system and support the Board in assessing the effectiveness of such system annually.

The Board, as supported by the Audit Committee as well as the management report and the internal control review findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 73 to 77.

AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2020 amounted to RMB1,200,000 and RMB1,380,000 respectively. An analysis of the remuneration paid to the external auditor of the Company, KPMG, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	Fees Paid/Payable RMB
Audit services:	
Annual audit	1,200,000
Non-audit services:	
Reporting accountants service	1,380,000

COMPANY SECRETARY

Mr. Pan Honghuang and Ms. Tang Wing Shan Winza have been appointed as the Company's joint company secretaries. Ms. Tang Wing Shan Winza is assistant vice president of the company secretarial services department of Computershare Hong Kong Development Limited.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Pan Honghuang, one of the joint company secretaries, has been designated as the primary contact person of the Company which would work and communicate with Ms. Tang Wing Shan Winza on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2020, Mr. Pan Honghuang and Ms. Tang Wing Shan Winza have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Company's existing amended and restated memorandum and articles of association (the "New M&A") were amended for the purpose of bringing the memorandum and articles of association in line with the requirements of the Listing Rules. The Company has adopted the New M&A by a special resolution passed on 4 September 2020, with the amended and restated memorandum of association taking effect from 20 October 2020 and the amended and restated articles of association taking effect from the Listing Date, respectively. The New M&A is available on the Company's website and the Stock Exchange's website.

Save as disclosed above, there was no change in the constitutional documents of the Company during the year ended 31 December 2020.

DIVIDEND POLICY

The Company does not have a dividend policy with predetermined dividend payout ratio. Declaration and payment of dividends is subject to the discretion and recommendation of our Directors, depending on our results of operation, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects, as well as any other factors which our Directors may consider relevant. We are a holding company incorporated under the laws of the Cayman Islands. Any final dividends for a financial year will be subject to Shareholders' approval upon our Board's recommendation. Payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

SHAREHOLDERS' RIGHTS

The Company engages with its shareholders through various communication channels. To safeguard shareholders' interests and rights, separate resolution(s) should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AT THE REQUEST OF SHAREHOLDERS

Pursuant to Article 58 of the amended and restated articles of association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

There is no provision allowing the Company's shareholders to put forward new resolutions at general meetings under the Companies Law of the Cayman Islands or the amended and restated articles of the Company. The Company's shareholders who wish to put forward a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

For Shareholders' right to nominate candidates for directors, please refer to "Procedures for Shareholders to propose a person for election as a Director" on the website of our Company.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders of the Company may send written enquiries to the Company, the contact details of which are contained on the website of the Company (www.jyhyne.com).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholder Communication Policy to ensure that its shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

ABOUT THE REPORT

The 2020 Environmental, Social and Governance Report of China Nature Energy Technology Holdings Limited (hereinafter referred to as the "Report") is the first Environmental, Social and Governance (ESG) Report issued by China Nature Energy Technology Holdings Limited, which elaborates on the principles adopted by China Nature Energy Technology Holdings Limited to fulfill its corporate social responsibility and the performance results thereof in 2020, including the sustainability issues in relation to environment and society that are of concern to key stakeholders.

Basis of Preparation

The Report is prepared in compliance with the ESG Reporting Guide (2019) published by The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Stock Exchange").

Reporting Principle

The Report follows the reporting principles set forth in the ESG Reporting Guide of the Stock Exchange, including:

- **Principle of materiality**

  In accordance with this principle, the Report determines the issues to be particularly addressed in the Report through a materiality analysis, and places emphasis on reporting the matters in the areas of environment, society and governance that may have material impact on investors and other stakeholders.

- **Principle of quantification**

  In accordance with this principle, the Report discloses key quantitative performance indicators, and gives illustrations on the implications of the indicators with explanations on the calculation basis and assumptions.

- **Principle of balance**

  According to this principle, the content of the Report reflects objective facts and discloses all indicators involving positive and negative information.

- **Principle of consistency**

  According to this principle, the Report explains the implications of the key quantitative ESG performance indicators disclosed herein, explains the calculation basis and assumptions, and tries to keep consistent with the indicators used for different reporting periods in order to reflect the trend of performance levels.

Reporting Scope

Organizational scope: The Report covers China Nature Energy Technology Holdings Limited and its subsidiaries (collectively referred to as the "Company"), consistent with the entities covered in the consolidated financial statements in the annual report.

Time scope: The Report is a report on annual basis, covering the period from 1 January 2020 to 31 December 2020.

Data Description

The data and cases in the Report are from the original records or financial reports of the Company's actual operations.

Reliability Assurance

The Board of Directors ensures that there is no false record, misleading statement or material omission in the content of the Report.

No negative environmental information was identified for China Nature Energy Technology Holdings Limited and its subsidiaries involved in the Report through the search conducted on the credit database of Shanghai Qingyue[1].

1 MANAGEMENT

The Company focuses on the research, development, integration, manufacturing and sales of high-voltage pitch control systems, offers customised integration services for major components of pitch control systems, and operates the Doulun Wind Farm in Inner Mongolia. In 2020, the Company completed the listing on the Stock Exchange.

1.1 Social responsibility philosophy

The Company has set up the corporate vision of "green manufacturing, green development, and dedication to becoming a reliable manufacturer of new energy equipment", which embodies that the Company, as a manufacturer of new energy equipment, is committed to contributing to the building of a cleaner and more environment-friendly world by providing high-quality equipment.

Working Together to Build a Cleaner and More Environment-Friendly World!

Corporate Mission: Carrying Forward the Spirit of Hard Working, Striving for Long-Term Development

Core Value: Innovation, Practical, Enthusiastic, Development

Corporate Spirit: Dare to Take Responsibility, Brave to Make Attempt, Advancing with a Determined Spirit, Striving for the Best)

Adhering to the philosophy of "co-creating the high-quality development of wind power in future", the Company insists on low-carbon operation, energy conservation and emission reduction, implements social responsibility while creating economic value, actively protects employees' rights and interests, and provides an equal, inclusive, healthy and safe working environment; and actively participates in community services and social welfare to create shared value for the society.

[1] Shanghai Minhang District Qingyue Environmental Information Technology Service Centre is a private non-enterprise unit. Its operation supervisory unit is the Environmental Protection Bureau of Minhang District, Shanghai, and it engages in promoting disclosure of environmental information and data.

Social Responsibility Management Model

Responsibility for customers:

Providing products and services of high quality

Responsibility for employees:

Empowering the development of employees

Responsibility for environment:

Green Manufacturing and Advocation

Responsibility for community:

Community services

1.2 Social responsibility management structure

The Company actively integrates social responsibility into all aspects of business management, and, through the construction of an ESG management structure comprising board decision-making, management participation and coordination of various functional departments, the Company puts its responsibility philosophy and commitment to the stakeholders into specific action to ensure the implementation and promotion of social responsibility work.

Social Responsibility Management Structure

ESG Decision-making Level
Board of Directors
ESG Implementation Level
General Manager's Office
Business Center, Procurement Center, Technology Center, Production Center, Finance Center, General Manager's Office, QEHS Center

1.3 Stakeholder participation and analysis of material issues

Engagement with stakeholders

The Company attaches great importance to the desire and demand of stakeholders, and has, based on its own business and operating conditions and with reference to the experience and practice of domestic and international industry peers, identified the key stakeholders and their focus of concern, while, at the same time, exploring various ways of communication to make active response in daily management and operational practice to achieve the sustainable development of the Company.

Table of Key Stakeholders and Communication Issues of the Company

Key stakeholders	Issue of concern	Communication and response
Shareholders	• Compliant operation • Risk management • Economic performance • Anti-corruption	• Information disclosure of listed company • Shareholders' meeting • Investor meeting
Government and regulatory agencies	• Compliant operation • Anti-corruption • Energy management • Water resource management • Emission management • Climate change mitigation and adaptation	• Policy implementation • Information disclosure
Customers	• Product quality management • Technology R&D and innovation • Customer service • Customer information security and privacy protection	• On-site survey • Customer talk • Customer exchange meeting
Suppliers	• Supply chain management	• Supplier review and evaluation • Exchange of visits
Employees	• Employee rights, interests and welfare • Employee health and safety • Employee development and training	• Employee activities • Employee training
Public and community	• Contribution and charity to community • Green idea advocation	• Community services and activities
Industry organization	• Collaborative industry innovation	• Activities of industry association

Material issue analysis

Based on its own business and operational characteristics, the Company has identified 19 ESG issues with reference to the ESG Reporting Guide of the Stock Exchange and GRI Standards and in line with national and industry policies. Through consultation with external experts, the Company has ranked the importance of material issues in terms of the importance to stakeholders and the economic, environmental and social impact of the Company. With reference to the GRI analysis method of material issues, those of high influence on the evaluation and decision-making of stakeholders and of high importance to the economic, environmental and social impact of the Company are taken as high-materiality issues.

Issue identification

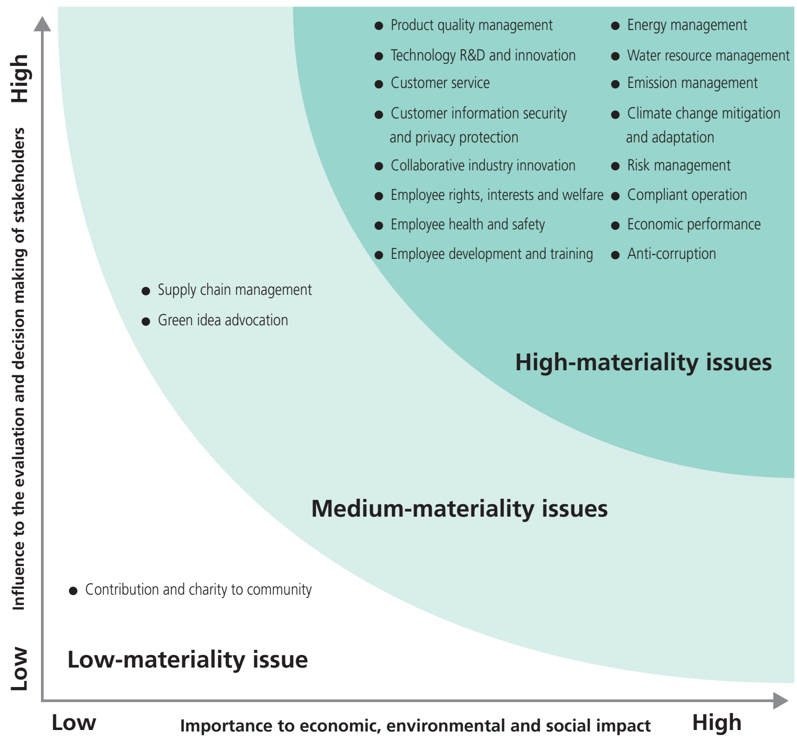
- Identifying ESG related issues in accordance with the ESG Reporting Guide of the Stock Exchange and GRI Standards

Ranking

- Ranking the issues by benchmarking with domestic and international industry peers and taking into account the actual operations of the Company, and selecting 19 issues relating to the operations of the Company

Verification

- Consulting with experts to further select highly material issues to be particularly addressed in the report



1.4 Anti-corruption

The Company attaches great importance to anti-corruption and corruption-related work, strictly abides by the Audit Law of the People's Republic of China《中華人民共和國審計法》, the Regulations of the People's Republic of China on Internal Audit (《中華人民共和國內部審計條例》) and other relevant laws and regulations. The Company regulates the anti-corruption management of its material procurement, business sales, equipment procurement and other activities through the Anti-Fraud and Reporting System (《反舞弊與舉報制度》) and the Anti-Corruption and Anti-Bribery Management System《反腐敗反行賄管理制度》. The Company invites third parties to conduct internal control audit every year, holds employee meetings regularly to strengthen the awareness of anti-corruption, and arrange trainings for all the members of the Board of Directors on related transactions, anti-corruption and other aspects, to create a sound atmosphere where everyone keeps a firm bottom line and works with integrity.

The Company provides employees with the reporting channels such as telephone hotline, e-mail and letter, sets up a reporting box for the prevention of commercial bribery, and protects the information and profile of the whistleblowers with specific measures.

Provisions for Whistleblower Protection (excerpted from the Anti-Fraud and Reporting System):

Article 12 Any staff member who accepts a report or complaint or participates in an investigation of fraud shall not, without authorization, provide any department or individual with relevant information about the informant or complainant or the content thereof; if it is necessary for anyone to inspect the relevant information concerning the complaint or report for the purpose of his/her work, the inspector must register the content and time of the inspection and the relevant information of the inspector with the office of the Board of Directors.

Article 13 Complainants and informants shall be protected in the course of assisting in the investigation. The Company prohibits any illegal discrimination or retaliation, or hostile action against any employee involved in the investigation. Any person who divulges the information of the informant or retaliates against the informant in violation of the requirements shall be removed from his/her post and the labor contract shall be rescinded. Those who violate the law shall be transferred to the judicial organs for judgement according to law.

Performance indicator	Unit	2019	2020
Number of corruption proceedings brought against the issuer or its employees and settled during the reporting period	Case	0	0
Proportion of employees covered by anti-corruption training	%	100	100
Length of time per employee participating in anti-corruption training	Hour per person	1	1
Proportion of Board members covered by anti-corruption training	%	100	100
Number of hours per Director participating in anti-corruption training	Hour	2	2

2 SOCIETY

With the promotion of clean energy, wind power generation has gradually drawn the attention of the society. As a manufacturer of wind power equipment, the Company promotes the high-quality development of the wind power industry with high-quality products and services.

The Company actively safeguards the basic rights and interests and the physical and mental health of its employees, carries out diversified employee activities and comprehensive employee trainings, and is committed to creating a good working environment and a harmonious and friendly working atmosphere for the employees to promote the sound development of the employees.

In addition, the Company is committed to becoming a responsible corporate citizen, and actively carries out community services to promote community development.

2.1 High-quality products and services

Quality management system and process

The Company pays attention to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), and has established the management system of "Full Product Inspection" with the quality policy of "maintaining the continuous innovation ability of the Company" and the quality goal of "100% qualification rate for products delivered". The Company has passed the ISO9001:2015 quality system certification.

The Company implements product quality control in every part of product planning, design and development, production, sales and delivery. The Company formulates related management procedures for every part thereof, and specifies the requirements for product quality control to ensure high-quality product delivery.

Full-Process Product Quality Control

Process	Management system	Management and control measures
Planning	Planning Procedures for Product Realization (《產品實現的策劃程序》)	• Establishing product quality objectives and requirements, and defining validation and acceptance criteria • Preparing quality plans, follow-up feedback forms, etc.
Design and development	Design and Development Control Procedures (《設計和開發控制程序》)	• Preparing the Working Plan for Project Design and Development (《設計開發項目任務計劃書》), following up and recording the design requirements, surveying data, drawing plans, evaluation requirements, sample preparation and inspection requirements, etc.
Production	Production Process Control Procedures (《生產過程控制程序》), Process, Product Monitoring and Measurement Control Procedures (《過程、產品的監視和測量控制程序》), Regulations on Production Process (《生產工藝規程》), etc.	• Inspecting the samples produced by equipment after commissioning • Running spot-checks on products and packings • Managing product labels
Delivery	Regulations on Product Labelling and Traceability Management (《產品標示和可追溯性管理規範》), Regulations on Product Delivery Management (《產品交付管理規範》)	• Verifying product and customer information to ensure the compliance with customer requirements

Handling of non-conforming products

The Company standardizes the identification and handling of non-conforming products in the manufacturing and delivery process through the Control Procedures for Non-conforming Products (《不合格品控制程序》) and the Handling Flow Chart for Defective Products (《不良品處置流程圖》). For non-conforming products, the Company adopts return, exchange and other handling methods.

Procedures for Handling Non-conforming Products in Manufacturing and Delivery Process

Manufacturing	Delivery
• The quality department will fill in a Non-conforming Product Review and Disposal Report (《不合格品評審處置報告》) • The production department will label, isolate and handle such products	• The quality department will investigate the cause of non-conformity • Return, exchange, etc

Performance indicator	Unit	2019	2020
Total number of violations of health and safety and labelling laws and regulations by the products and services provided	Case	0	0
Proportion of products to be returned for safety and health reasons in the total number of products sold or delivered	%	0	0
Total number of violations of marketing laws and regulations	Case	0	0

Intellectual property management

The Company strictly adheres to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》), regulates the management of internal knowledge exchange and sharing, external knowledge management and corporate knowledge asset management through the Knowledge Control Procedures (《知識控制程序》), develops a list of knowledge assets by collecting and collating knowledge information and materials through various departments, with a view to allowing the Company to verify and avoid the infringement on others' intellectual property. In addition, the Company's Technology Center is responsible for technical development and innovation, and all types of pitch systems have passed the power grid adaptability certification of China Electric Power Research Institute. In 2020, the Company obtained 7 utility model patents and 6 software copyrights.

Customer service and communication

The Company introduces its business to customers through various channels such as advertisements, exhibitions and fairs and field visits, and provides customers with various communication channels such as hotline, letter, industry association feedback and visit. It coordinates the management of pre-sales, mid-sales, after-sales customer communication through the Process Control Procedures in Relation to Customers (《與顧客有關的過程控制程序》), and standardizes the Company's after-sales service and return processing procedures through the Administrative Measures for After-sales Service (《售後服務管理規範》) and the Regulations on the Handling of Goods Returned by Customers (《顧客退貨品處理規定》). At the same time, the Company promotes the communication between the Company and its customers through customer satisfaction survey to improve the quality of its customer services.

As for customer complaints, the Company has formulated the Customer Satisfaction and Customer Complaint Control Procedures (《顧客滿意度和顧客投訴控制程序》) to standardize customer satisfaction survey and complaint handling, and sends dedicated personnel to visit the customers to understand the problems, for the efficient solution of customer feedback. In addition, the Company has set up a follow-up verification process to further strengthen the follow-up management for the implementation of improvement measures to ensure that practical improvement and enhancement have been put in place for customer feedback.

Performance indicator	**Unit**	**2019**	**2020**
Number of complaints received about products and services	Case	0	0
Total number of incidents in violation of laws and regulations on products and services	Case	0	0

Customer information security and privacy protection

The Company puts into practice its commitment to the protection of customer information assets, and has established an information security management system where the General Manager's Office of the Company is responsible for information security. The Company regulates the protection of customer information assets by employees and departments through the Information Security Management System (《信息安全管理制度》), and regularly carries out information security risk assessment for the continuous improvement of the management system. The Company promotes the protection of customer information assets from three aspects, namely information user management, physical environment, communication and operation.

All-round Protection of Customer Information Assets

Information user management	• Hierarchical management of customer information assets • Formulation of disciplinary rules for information security
Physical environment management	• Security management of terminal network, firewall, local area network, hubs, switches, dedicated lines, etc.
Communication and operation management	• Full-process normative use throughout authorization, storage, replication, printing, mail, fax, express delivery, internal distribution and external distribution, processing and record tracking, etc.

For information security incidents, the Company has established the handling process comprising discovery, reporting, response, evaluation/adjustment and punishment, so as to make response promptly to minimize the security loss of customer information.

Performance indicator	Unit	2018	2019
Total confirmed complaints of infringement of customer privacy and loss of customer information	Case	0	0
Total number of violations of customer privacy laws and regulations	Case	0	0

2.2 Supply chain management

Based on the type of products provided by suppliers, the Company divides its suppliers into the suppliers of important materials, general materials and auxiliary materials. Important materials include the main or key parts of the final products, and the materials that directly affect the use and safety functions of the products, such as controllers, motors, capacitors, cabinets, etc.

The Company coordinates and standardizes the selection, file management, day-to-day management, evaluation, elimination and complaint processing of suppliers through the Supplier Management System (《供應商管理制度》), specifies the specific requirements for supplier selection, evaluation and management in the Procurement and Supplier Control Procedures (《採購及供方控制程序》), and prefers to choose energy-saving and consumption-reducing equipment and low-consumption materials under the same conditions.

The Company constantly strengthens the management of procurement process, and conducts supplier evaluation every year from the aspects of sample selection, quality control, staff training, hazardous item management, waste discharge, ISO system certification, etc. through the Supplier Checklist (《供應商考核表》) and Supplier Survey Report (《供應商考察報告》). Suppliers with serious quality, environmental protection and safety problems, the Company will follow the management procedures of improvement, correction and prevention actions, issue a rectification notice and require them to provide rectification reports.

Verification of Suppliers' Certificates, including:

- Copies of quality, environment and safety related management system certifications (including ISO9000 Quality Management System Certification, ISO14001 Environmental Management System Certification, GB/T28001 Occupational Health and Safety Management System Certification)

- Quality, environmental protection, safety, prices, delivery capacity of suppliers' products and services

- Explanations on the suppliers' financial conditions and service and support ability

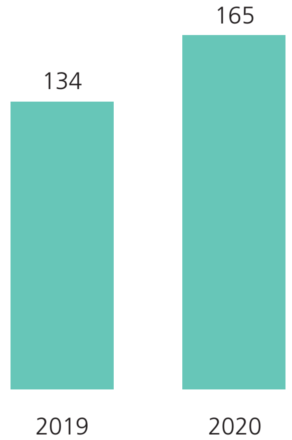
At the same time, the Company attaches great importance to the management of the suppliers (secondary suppliers) to its suppliers, regards the ability of its suppliers to manage the secondary suppliers as an important factor in the evaluation of suppliers, and focuses on the evaluation of secondary suppliers' qualifications, quality management and other aspects in the screening of first-tier suppliers.

Performance indicator	Unit	2019	2020
Total number of suppliers	Supplier	10	18
Number of Suppliers in Mainland China	Supplier	10	18
Number of Suppliers overseas and in Hong Kong, Macao and Taiwan	Supplier	0	0
Percentage of suppliers going through environmental, labor, ethical and other evaluations in accordance with the Company's supplier evaluation system	%	100	100
Number of suppliers found not to meet the evaluation criteria during the reporting period	Supplier	0	0

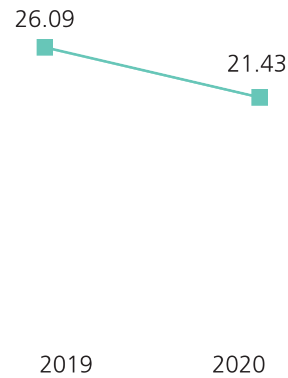
2.3 Empowering employee development

Employee rights, interests and care

The Company strictly adheres to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Special Regulations on the Labor Protection of Female Workers (《女職工勞動保護特別規定》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Personal Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and other laws and regulations, and has formulated the Management System for Human Resources (《人力資源管理制度》) to coordinate the management of employee employment, remuneration and benefit, etc. The Company opposes racial discrimination, gender discrimination and ethnic discrimination and provides equal employment opportunities. During recruitment, the Company abides by the relevant laws and regulations prohibiting child labor and forced labor, and prohibits the recruitment of persons under the age of 16. The Company enters into labor contracts with its employees according to laws and regulations, and pays 5 types of insurance and the housing provident fund for its employees. In 2020, the Company entered into labor contracts with, and paid social insurance for, 100% of its employees.



Total number of employees (person)



Turnover rate of female employees (%)

The Company takes "communication creates value" as its communication philosophy, and provides the employees with various channels, including formal communication (display boards, meetings, etc.), informal communication (mails, OA exchange, etc.) for participating in the quality, environment and occupation safety management activities of the Company.

Overview of Nature Energy Technology's Systems for Employee Employment and Rights and Interests

Recruitment, dismissal and promotion	Working hour and vacation	Remuneration and Benefit
✓ Recruitment: covering the standard management of recruitment and employment of contracted employees, employees re-hired after retirement and interns	✓ Working hour: no more than 40 hours per week for employees under normal working hours	✓ Remuneration: equal pay for equal work, distribution according to work
✓ Dismissal: notifying employees 30 days in advance	✓ Overtime: 3-time salary for working overtime during statutory festivals and holidays; equal leave for working overtime at any other time, or 1.5 to 2-time salary instead	✓ Benefits: employer liability insurance, housing allowance, working-age salary, working meal, employee activity expenses, holiday benefits, birthday benefits, etc.
✓ Promotion process: nomination, and evaluation, examination and approval of the General Manager's Office	✓ Leave: paid annual leave, wedding leave, funeral leave, maternity leave, sick leave, etc. according to national requirements	

The Company actively carries out diversified employee activities, and cares for the work and life of the employees. In 2020, the Company organized the photo competition named "BEAUTIFUL" with the theme of "My Story with Wind Power" to collect photos from the employees about the beautiful scenes in wind power farms, wind power products, wind power field work and wind power workers, to provide wind power field workers with a stage to display themselves, activate the cultural life of the employees and construct a harmonious and dynamic working atmosphere.

Performance indicator	Unit	2019	2020
Total number of employees	Person	134	165
By gender:			
Number of female employees	Person	23	28
Number of male employees	Person	111	137
By the form of employment:			
Number of employees under labor contract	Person	134	165
Number of employees under labor dispatch	Person	0	0
Number of employees under other forms of employment	Person	0	0
By age:			
Number of employees over 50	Person	15	17
Number of employees aged 30 to 50	Person	32	40
Number of employees under 30	Person	87	108
By region:			
Number of employees working in Mainland China	Person	133	164
Number of employees working in Hong Kong, Macao, Taiwan and overseas	Person	1	1
By rank:			
Number of employees at senior management level	Person	9	9
Number of employees at middle management level	Person	10	10
Number of employees at grass-root level	Person	115	146
Employee turnover rate	%	25.37	29.09
Of which:			
Turnover rate of male employees	%	25.23	30.66
Turnover rate of female employees	%	26.09	21.43
Turnover rate of employees over 50	%	0	0
Turnover rate of employees aged 30 to 50	%	40.63	40.00
Turnover rate of employees under 30	%	24.14	29.63
Turnover rate of employees in Mainland China	%	25.37	29.09
Turnover rate of employees working overseas (including Hong Kong, Macao and Taiwan)	%	0	0
Total number of employee discrimination incidents	Case	0	0

Employee health and safety

The Company strictly complies with the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Regulations of the People's Republic of China on Work Injury Insurance (《中華人民共和國工傷保險條例》) and other laws and regulations, takes "safety first, prevention in priority; risk control, comprehensive governance; safety and harmony, continuous improvement; compliance with laws and regulations, safe development "as the safe production policies, puts in place the responsibility system for safe production, establishes a leading group for safe production, and carries out occupational health management under the three-level management system of "General Manager — manager representatives — various departments". The Company has passed the GB/T45001–2020 health and safety management system certification.

The Company has established the related systems in the aspects of hazard source identification, occupational health management of employees, emergency and accident management, etc., and carries out hazard source identification and risk assessment for all the operation activities and all the personnel activities, organizes occupational hazard inspection regularly, provides employees with occupational health inspection and labor protection products before, during and after duty, so as to guarantee the employees' health. At the same time, the Company actively carries out safety publicity and education, sets every June as the "Month of Safe Production". In 2020, the Company organized trainings on fire safety, heat protection, electricity safety, safe driving and wind power accidents, and carried out emergency drills to improve the employees' awareness for the prevention of safety risks.

Hazard source identification	Occupational health management	Emergency and accident management
Hazard Source Identification and Risk Evaluation and Control Procedures (《危險源識別與風險評價控制程序》)	Employee Occupational Health and Labor Protection Control Procedures (《員工職業健康與勞動保護控制程序》) and Occupational Health Management System (《職業健康管理制度》)	Emergency Preparation and Response Control Procedures (《應急準備與響應控制程序》), Electrical Safety Control Procedures (《電氣安全控制程序》), Environmental and Occupational Safety Incident Handling Procedures (《環境職業健康安全事件事故處理程序》) and Fire Safety Control Procedures (《消防安全控制程序》)

Performance indicator	Unit	2019	2020
Number of working days lost due to work injury	Day	0	0
Number of employees killed by work-related injuries	Person	0	0
Proportion of employees killed by work-related injuries	%	0	0

Employee training and development

Always striving for the joint development of the Company and its employees, the Company has established the Administrative Measures for Employees' Skills (《員工技能管理辦法》), provides induction training for new employees through on-site operation explanations, classroom teaching and field trainings, etc., provides professional and special skill training for every department, and strengthens the working skills of the Company's employees through both classroom teaching and on-site practice.

The Company has formulated the Administrative Measures for Performance Appraisal (《績效考核管理辦法》) to carry out performance appraisal on the employees in the principle of openness and fairness, provides the employees with the career promotion channels in administrative sequence and technical sequence, and encourages the employees to develop professional skills in depth to promote the stable development of the Company.

Performance indicator	Unit	2019	2020
Coverage rate of employee training	%	100	100
Proportion of female employees covered by training	%	17.16	16.97
Proportion of male employees covered by training	%	83.84	83.03
Proportion of employees at senior management level	%	6.72	5.45
Proportion of employees at middle management level	%	7.46	6.06
Proportion of employees at grass-root level	%	85.82	88.48
Average hours of training received by employees	Hour per person	2	2
Average hours of training received by female employees	Hour per person	2	2
Average hours of training received by male employees	Hour per person	2	2
Average hours of training received by employees at senior management level	Hour per person	5	5
Average hours of training received by employees at middle management level	Hour per person	5	5
Average hours of training received by employees at grass-root level	Hour per person	1	1

2.4 Support for community development

The Company gives full play to the platform jointly built by the Company and the society, and actively establishes a good relationship with surrounding sub-districts and communities by providing financial aid and making public donations, creating a harmonious and stable external environment for production and operation of the Company. In 2020, the Company donated materials and supplies to the Fire Station of Yuecheng Town as a gesture of sympathy, and donated RMB50,000 to Jiangyin Charity Association to support the community to fight COVID-19 outbreak.

Performance indicator	Unit	2019	2020
Community public welfare investment	RMB	0	50,000
Including charity donation	RMB	0	50,000
Number of employees involved in volunteer activities	Person	23	30
Number of hours spent on volunteer activities	Hour	46	80

3 ENVIRONMENT

The Company is committed to "working together to build a cleaner and more environment-friendly world". As a clean energy wind power equipment supplier, the Company insists on green manufacturing, green development, and actively advocates green energy to promote the harmonious development of the Company itself and the environment.

3.1 Green manufacturing

The Company strictly adheres to the Law of the People's Republic of China on Environmental Protection (《中華人民共和國環境保護法》) and other laws and regulations, continues to improve the environmental management system, and continuously improves product performance through the application of energy-saving environmental protection technology in production to reduce the impact on the environment. The company has passed the ISO14001:2015 environmental management system certification.

The Company has formulated the Quality, Environment, Occupational Health and Safety Management Manual (《質量環境職業健康安全管理手冊》) to coordinate environmental management, and has formulated relevant management systems in respect of energy and resources, waste management, waste water management, soil pollution and noise control, etc.

Energy and resource management	Waste management	Waste water management	Soil pollution	Noise control
Energy and Resources Control Procedures (《能源與資源控制程序》) and Regulations on Energy Conservation Management (《節約能源管理規定》)	Regulations on Waste Management (《廢棄物管理規定》) and Control Procedures for Pollution Prevention and Control of Solid Waste (《固體廢棄物污染防治控制程序》)	Regulations on Waste Water Management (《廢水管理規範》)	Regulations on Prevention and Control of Soil Pollution (《土壤污染防治管理規定》)	Noise Pollution Control Procedures (《噪音污染控制程序》) and Regulations on Noise Control and Management (《噪聲控制管理規定》)

At the same time, the Company has formulated the Controlling Procedures for the Identification and Evaluation of Environmental Factors (《環境因素識別與評價控制程序》) to identify and evaluate the environmental factors in office and production, including air pollution, water pollution, noise pollution, soil pollution, energy and resource consumption, etc.

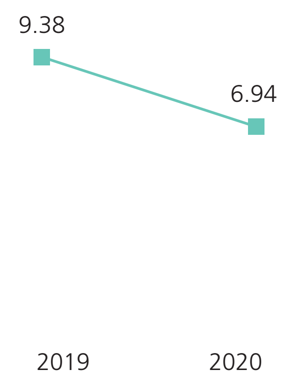
Management of energy and water resources

The energy consumed in the Company's production and operation mainly includes electricity, gasoline and other indirect energy. The Company sets annual targets and plans for energy conservation on an annual basis, and optimizes the operation procedures, strengthens the management of power-using equipment and saves energy consumption through the adoption of power-saving technologies, devices and energy-saving appliances. Meanwhile, the Company actively advocates the conservation of electricity and popularizes the scientific knowledge of electricity conservation through the Staff Manual to improve the energy-saving awareness of the Employees.

Initiatives for Energy Conservation

- Switching off lights, electric fans, air conditioners and equipment in the absence of personnel
- Using air conditioning equipment when the minimum temperature is below 5℃ or the maximum temperature is above 30℃, except for special process and work
- Turning off all electrical equipment and appliances and air conditioners when getting off work

The water resource consumed by the Company is mainly domestic water, which mainly comes from the municipal water supply network, so there is no problem in seeking suitable water source. The Company regularly carries out inspection, repairs water leakage or broken faucet in a timely manner, and posts "Please Save Water" signs to advocate water conservation.



Electricity consumption intensity (kWh/RMB0'000)

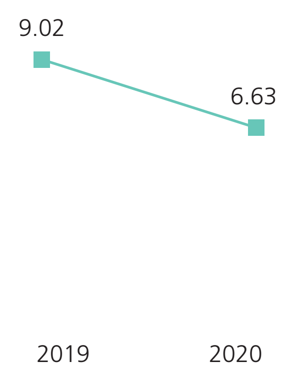
Performance indicator	Unit	2019	2020
Total electricity consumption	MWh	209	222
Electricity consumption intensity (per revenue in RMB0'000)	kWh/ RMB0'000	9.38	6.94
Gasoline consumption of self-owned car	liter	6,897	7,000
Total water consumption	m^3	1,536	2,596
Water consumption intensity (per revenue in RMB0'000)	m^3/RMB0'000	0.07	0.08
Water consumption by source: municipal water	m^3	1,536	2,596
Water consumption by source: groundwater and surface water	m^3	0	0
Water consumption by source: other sources	m^3	0	0
Proportion of total amount of recycled and reused water in the total water consumption	%	13.48	11.79

Response to climate change

Responding to climate change is a global issue facing mankind. In September 2020, President Xi Jinping made an important speech at the General Debate of the 75th session of the UN General Assembly, pointing out that China will increase its own contributions with an aim to achieve the peak of carbon dioxide emission by 2030 and strive to achieve carbon neutralization by 2060.

The Company is fully aware of the seriousness and urgency of responding to the impacts of climate change, and actively promotes the reduction of greenhouse gas emission. The main emission in the course of operation of the Company is the indirect greenhouse gas emission caused by purchased electricity. In line with the proposed "carbon neutralization" policy, the application of clean energy will become the mainstream trend in future, which will be conducive to promoting the development of the Company's principal business. Meanwhile, for the Company itself, the improvement of energy efficiency will become a necessary action of the Company, and will also be conducive to reducing the Company's energy expenditure.

In 2020, the Company mainly strived for the reduction of greenhouse gas emission through energy conservation and consumption reduction actions.

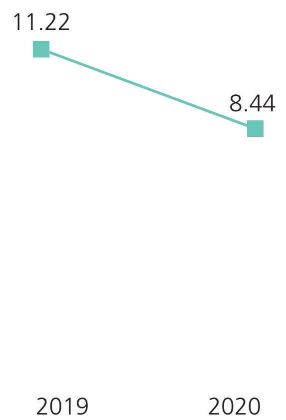


Greenhouse gas emission intensity (kg CO2e/RMB0,000)

Performance indicator	Unit	2019	2020
Total greenhouse gas emission	Tonne carbon dioxide equivalent (CO_2e)	200.89	211.96
Scope 1 greenhouse gas emission	Tonne CO_2e	18.68	18.96
Scope II greenhouse gas emission	Tonne CO_2e	182.21	193.00
Greenhouse gas emission intensity (per revenue in RMB0,000)	Kg CO_2e/ RMB10,000	9.02	6.63

Emission management

The Company's solid waste is divided into three categories: recyclable general waste, non-recyclable general waste and hazardous waste. The Company has set up three kinds of waste collection boxes/ sites, posts classification signs for classified treatment, and monitors waste discharge through the Environmental Safety Monitoring and Measurement Control Procedures (《環境安全監視和測量控制程序》). Meanwhile, the Company provides employees with the trainings on waste identification, hazard and treatment to enhance environmental protection.



Non-hazardous waste discharge Intensity (kg/RMB0,000)

In addition, the Company requires its suppliers to recycle turnover boxes, special racks and other recyclable packages through the Regulations on the Packages of Purchased Products (《採購產品包裝規範》) to reduce the generation of solid waste. In 2020, the Company recycled 637 wooden pallets and 528 cartons.

The Company does not involve the discharge of waste water in the production process, and generates domestic waste water in the office operation process. The Company discharges its domestic waste water to the municipal pipe network in a standard manner.

Performance indicator	Unit	2019	2020
Total amount of non-hazardous waste produced	Tonne	250	270
Non-hazardous waste discharge intensity	Kilogram (kg)/ RMB10,000	11.22	8.44
Total amount of hazardous waste produced	Tonne	0	0
Hazardous waste discharge intensity	Kg/RMB10,000	0	0
Total consumption of packaging material for finished products	Tonnes	158.7	212.9
Total amount of recycled packaging material for finished products	Tonnes	0	81.7

3.2 Green development

The Company has constructed the Duolun Wind Farm in Inner Mongolia, with the annual on-grid power generation of 51.61 million kWh in 2020.

The Company actively participates in the activities in wind power industry, and advocates the use of clean energy. In 2020, the Company launched the high-voltage integrated pitch system solution at the WindEnergy Hamburg Conference with an aim to provide high-quality products and services for the wind power industry, and jointly boost the promotion of wind power as an clean energy.

Performance indicator	Unit	2019	2020
Wind power generation	MWh	55,800	51,610

4 INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs	Description	Disclosure section
Subject Areas A. Environmental		
Aspect A1: Emissions		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green manufacturing
KPI A1.1	The types of emissions and respective emissions data.	Green manufacturing
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green manufacturing
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green manufacturing
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green manufacturing
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green manufacturing
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Green manufacturing

Subject Areas, Aspects, General Disclosures and KPIs	Description	Disclosure section
Aspect A2: Use of Resources		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	Green manufacturing
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Green manufacturing
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green manufacturing
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green manufacturing
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green manufacturing
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Green manufacturing
Aspect A3: The Environment and Natural Resources		
General Disclosure A3	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green manufacturing
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green manufacturing

Subject Areas, Aspects, General Disclosures and KPIs	Description	Disclosure section
Subject Areas B. Social, Employment and Labor Practices		
Aspect B1. Employment		
General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Empowering employee development
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Empowering employee development
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Empowering employee development
Aspect B2. Health and Safety		
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Empowering employee development
KPI B2.1	Number and rate of work-related fatalities.	Empowering employee development
KPI B2.2	Lost days due to work injury.	Empowering employee development
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Empowering employee development

Subject Areas, Aspects, General Disclosures and KPIs	Description	Disclosure section
Aspect B3. Development and Training		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Empowering employee development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Empowering employee development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Empowering employee development
Aspect B4. Labour Standards		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Empowering employee development
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Empowering employee development
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Not found
Subject Areas B. Social Operating Practices		
Aspect B5. Supply Chain Management		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	Supply chain management
KPI B5.1	Number of suppliers by geographical region.	Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply chain management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Disclosure section
Aspect B6. Product Responsibility		
General Disclosure B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	High-quality products and services
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	High-quality products and services
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	High-quality products and services
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	High-quality products and services
KPI B6.4	Description of quality assurance process and recall procedures.	High-quality products and services
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	High-quality products and services
Aspect B7. Anticorruption		
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anticorruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anticorruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anticorruption

Subject Areas, Aspects, General Disclosures and KPIs	Description	Disclosure section
Aspect B8. Community Investment		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Support for community development
KPI B8.1	Focus areas of contribution (such as education, environmental matters, labor requirements, health, culture and sports)	Support for community development
KPI B8.2	Resources contributed to the focus areas (such as money or time).	Support for community development

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board" or "Director(s)") is pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 November 2019. In preparation for the Listing, the Group underwent reorganisation, details of which are set out in the section headed "History, Development and Reorganisation" of the Company's prospectus dated 29 September 2020 (the "Prospectus").

The Company was listed on the Stock Exchange on 20 October 2020 (the "Listing Date").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the 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. Particulars of the Company's principal subsidiaries, including their respective activities, are set out in note 12 to the consolidated financial statements.

PRINCIPAL PLACE OF BUSINESS

The Company's principal place of business in China is at No. 95 Yueshan Road, Yuecheng Town, Jiangyin City, Jiangsu Province, China and the principal place of business in Hong Kong is Room 2104, 21st Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong.

BUSINESS REVIEW

A review of the Group's business during the year ended 31 December 2020, which includes a description of the principal risks and uncertainties facing the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future development in the Group's business are set out in the Chairman's Statement on page 5 and Management Discussion and Analysis on pages 6 to 16 of this annual report.

In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group are included in the Corporate Governance Report of this annual report, and the discussions on the Group's environmental policies, relationships with its employees, customers and suppliers are included in the Environmental, Social and Governance Report of this annual report.

All these discussions form part of this Report of the Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

The operations of the Group are primarily carried out by the Company's subsidiaries in the PRC. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the above jurisdiction. During the year ended 31 December 2020 and up to the date of this report, the Group's operations have complied with all the relevant laws and regulations in the above jurisdictions in all material respects.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings in the Shares.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78 to 79 of this annual report.

DIVIDEND

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

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 December 2020 are set out in note 22(c) to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands (the "Companies Law"), amounted to approximately RMB89,242,000.

Under the Companies Law, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed. The Company will be in a position to pay off its debts as they fall due in the ordinary course of business. Details of the movements in reserves of the Company during the year ended 31 December 2020 are set out in note 22(a) to the consolidated financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last four years ended 31 December 2020 is set out on page 144 of this annual report.

DONATIONS

The total donations made by the Group during the year ended 31 December 2020 amounted to approximately RMB$50,000.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in properties, plant and equipment during the year ended 31 December 2020 are set out in note 11 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings as at 31 December 2020 are set out in note 18 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 December 2020 are set out in note 12 to the consolidated financial statements.

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.

Beijing Nature Heli New Energy Technology Co., Ltd., a fully-owned subsidiary of the Group, entered into a property right transaction contract with Datang Xianghuang Qi Renewable Power Co., Ltd. Datang Xianghuang Qi Renewable Power Co., Ltd. transferred the 3.03% equity interest in Datang Gucang Duolun New Energy Co., Ltd. to Beijing Nature Heli New Energy Technology Co., Ltd. through public listing on the China Beijing Equity Exchange. The consideration of the transfer was RMB1.7 million. Beijing Nature Heli New Energy Technology Co., Ltd. has paid the consideration of the equity transfer on 7 April 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.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in note 12 to the consolidated financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries during the year ended 31 December 2020.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the revenue derived from the Group's largest customer and the five largest customers accounted for approximately 80.6% and 99% of the Group's total revenue for the year, respectively.

During the year ended 31 December 2020, purchases from the Group's largest supplier and five largest suppliers accounted for approximately 47.9% and 84.1% of the Group's total purchases for the year, respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report were:

Executive Directors

Mr. Cheng Liquan Richard *(Chairman)*
Mr. Cheng Li Fu Cliff *(Chief executive officer)*

Non-executive Directors

Mr. Wang Lubin
Mr. Li Hao

Independent non-executive Directors

Mr. Yip Chun On
Mr. Kang Jian
Mr. Li Shusheng

In accordance with Article 84 of the amended and restated articles of association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

In accordance with Article 83(3) of the amended and restated articles of association of the Company, Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Accordingly, at the forthcoming annual general meeting to be held on 25 June 2021, Mr. Cheng Liquan Richard, Mr. Cheng Li Fu Cliff and Mr. Wang Lubin, who are being the longest in office since their appointment, shall retire from office and have offered themselves for re-election at the annual general meeting. Details of the Directors to be re-elected at the 2021 AGM are set out in the circular to shareholders of the Company dated 23 April 2021.

ANNUAL GENERAL MEETING

The 2021 annual general meeting of the Company (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

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from 22 June 2021 (Tuesday) to 25 June 2021 (Friday)), both dates inclusive, during which period no transfer of its shares will be registered. In order to be eligible to attend and vote at the 2021 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712 –1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration by no later than 4:30 p.m. on 21 June 2021 (Monday) for registration of transfer.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considered each of the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 17 to 22 of this annual report.

DIRECTOR'S SERVICE AGREEMENTS

The Company has entered into a service contract with each of the executive and non-executive Directors and a letter of appointment with each of the independent non-executive Directors on 4 September 2020. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date. All Directors are subject to retirement from office and re-election at the AGM of the Company in accordance with the Memorandum and Articles of Association of the Company.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 December 2020.

INTERESTS OF DIRECTORS AND THEIR ASSOCIATES IN COMPETING BUSINESS

During the period from the Listing Date to 31 December 2020 and including the date of this report, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

Pursuant to the amended and restated articles of association of the Company, the Directors and other officers of the Group shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has purchased the directors and officers liability insurance to provide appropriate protection for its Directors and senior management of the Company.

The permitted indemnity provision was in force during the year ended 31 December 2020 for the benefit of the Directors.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 December 2020 are set out in notes 8 and 9 to the consolidated financial statements.

The remuneration packages of individual Directors and senior management (including salaries and other benefits) are recommended by the Remuneration Committee for the Board's approval, with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the period from the Listing Date to 31 December 2020, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTION

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of the Company's key management and their close family member are also considered as related parties. For a discussion of related party transactions, see note 25 to the Consolidated Financial Statements. Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the year ended 31 December 2020 or make such results not reflective of our future performance. All the related party transactions described in this note do not constitute connected transactions or continuing connected transactions subject to the reporting, announcement or independent shareholders' approval requirements.

DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except as disclosed elsewhere in this annual report, none of the Directors or controlling shareholders, nor a connected party of any Directors or controlling shareholders, had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the year ended 31 December 2020.

SHARE OPTIONS OF THE COMPANY

The Company has no share option scheme and no long-term incentive scheme of the Group as at the date of this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year ended 31 December 2020.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, the Company's holding companies or any of the Company's subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

DIRECTORS' REMUNERATION

The Directors' fees are approved by shareholders of the Company at the annual general meeting of the Company and the other emoluments payable to executive Directors are determined by the Board based on the recommendation of the Remuneration Committee with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Details of remuneration of Directors are set out in note 8 to the consolidated financial statements.

RETIREMENT AND EMPLOYEES BENEFITS SCHEME

Details of retirement benefit scheme of the Group are set out in note 6(b) to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(i) Directors' interests in the Company

Name of Director	Capacity	Number of Shares held/ Interested in *(Note 1)*	Percentage of shareholding *(Note 3)*
Mr. Cheng Liquan Richard ("Mr. Richard Cheng")	Interest in a controlled corporation *(Note 2)*	187,500,000 (L)	75%

Notes:

1. The letter (L) denotes the person's long position in such Shares.

2. These Shares are held by Hongyuan BVI. The entire issued shares of Hongyuan BVI are legally and beneficially owned by Mr. Richard Cheng, the chairman of the Board and an executive Director. Accordingly, Mr. Richard Cheng is deemed to be interested in all the Shares held by Hongyuan BVI under Part XV of the SFO.

3. The percentage represents the total number of the Shares and the underlying Shares interested, if any, divided by the number of Shares in issue of 250,000,000 as at 31 December 2020.

(ii) Directors' interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of Shares held/ Interested in	Percentage of shareholding
Mr. Richard Cheng *(Note 2)*	Hongyuan Company Limited ("Hongyuan BVI") *(Note 1)*	Beneficial owner	1	100%

Notes:

1. Hongyuan BVI is a direct Shareholder of the Company and is an associated corporation of the Company within the meaning of Part XV of the SFO.

2. Mr. Richard Cheng is a director of Hongyuan BVI.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as the Directors are aware, the interests or short positions of the entities/persons, other than a Director or chief executives of the Company, in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Substantial shareholders' interest in the Company

Name of shareholder	Capacity	Number of Shares held/ Interested in *(Note 1)*	Percentage of Shareholding *(Note 4)*
Hongyuan BVI *(Note 2)*	Beneficial owner	187,500,000 (L)	75%
Ms. Zhou Xuan *(Note 3)*	Interest of spouse	187,500,000 (L)	75%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. Hongyuan BVI is wholly owned by Mr. Richard Cheng. Under the SFO, Mr. Richard Cheng is deemed to be interested in the same number of Shares in which Hongyuan BVI is interested.

3. Ms. Zhou Xuan, being the spouse of Mr. Richard Cheng, is deemed, or taken to be, interested in the Shares in which Mr. Richard Cheng is interested for the purpose of the SFO.

4. The percentage represents the total number of the Shares and the underlying Shares interested, if any, divided by the number of Shares in issue of 250,000,000 as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any entities/persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the amended and restated articles of association of the Company or the laws of the Cayman Islands, under which the Company would be required to offer new Shares on a pro-rata basis to its existing shareholders.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 32 of this annual report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period from 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.

During the period from the Listing Date to 31 December 2020, the Company has not entered into or maintained any equity-linked agreements.

SUFFICIENCY OF PUBLIC FLOAT

The Company was listed on the Main Board of the Stock Exchange on 20 October 2020. Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by KPMG. A resolution for the re-appointment of KPMG as the auditor of the Company for the ensuing year is to be proposed at the 2021 AGM.

There was no change in auditor of the Company since the Listing.

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.

For and on behalf of the Board
Cheng Liquan Richard
Chairman

26 March 2021

KPMG

Independent auditor's report to the shareholders of China Nature Energy Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Nature Energy Technology Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 78 to 143, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowances for trade receivables

Refer to Note 16 to the consolidated financial statements and the accounting policies on pages 92 to 94.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2020, the gross amount of the Group's trade receivables totalled RMB221.6 million, against which a loss allowance of RMB1.8 million was made. The carrying value of the Group's trade receivables represented approximately 40% of the total assets as at 31 December 2020. Management measures the loss allowance at an amount equal to lifetime expected credit loss based on estimated loss rates for each category of receivables. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers of different risk characteristics, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement and estimation We identified the loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • assessing whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis; • obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including the basis of segmentation of the accounts receivable based on credit risk characteristics of customers in management's estimated loss rates;

KEY AUDIT MATTERS (CONTINUED)

Loss allowances for trade receivables

Refer to Note 16 to the consolidated financial statements and the accounting policies on pages 92 to 94.

The Key Audit Matter	How the matter was addressed in our audit
	• assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • re-performing the calculation of the loss allowance as at 31 December 2020 based on the Group's credit loss allowance policies.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	*4*	**338,895**	222,835
Cost of sales		**(265,325)**	(156,438)
Gross profit		**73,570**	66,397
Other revenue	*5(a)*	**4,987**	555
Other net income	*5(b)*	**202**	—
Selling and distribution expenses		**(3,788)**	(2,598)
Administrative and other operating expenses		**(21,228)**	(7,707)
Profit from operations		**53,743**	56,647
Net finance costs	*6(a)*	**(5,721)**	(6,817)
Share of loss of joint ventures	*13*	**(666)**	(260)
Profit before taxation	*6*	**47,356**	49,570
Income tax	*7*	**(6,972)**	(6,881)
Profit for the year		**40,384**	42,689
Attributable to:			
Equity shareholders of the Company		**40,173**	42,545
Non-controlling interests		**211**	144
Profit for the year		**40,384**	42,689
Earnings per share	*10*		
Basic and diluted		**0.201**	0.227

The notes on pages 86 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Renminbi)

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

The notes on pages 86 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**101,048**	100,674
Interests in joint ventures	*13*	**417**	740
Contract assets	*14*	**762**	—
Deferred tax assets	*21(b)*	**269**	138
Other non-current asset		**—**	365
		102,496	101,917
Current assets			
Inventories	*15*	**16,589**	9,738
Trade and other receivables	*16*	**275,965**	149,302
Cash and cash equivalents	*17(a)*	**121,416**	35,632
Pledged deposits	*17(b)*	**30,960**	6,597
		444,930	201,269
Current liabilities			
Bank loans and other borrowings	*18*	**93,572**	79,677
Trade and other payables	*19*	**204,871**	92,314
Lease liabilities	*20*	**1,620**	325
Current taxation	*21(a)*	**1,665**	4,014
		301,728	176,330
Net current assets		**143,202**	24,939
Total assets less current liabilities		**245,698**	126,856

The notes on pages 86 to 143 form part of these financial statements.

At 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank loans and other borrowings	*18*	—	13,533
Trade and other payables	*19*	—	6,982
Lease liabilities	*20*	4,597	699
		4,597	21,214
NET ASSETS		241,101	105,642
CAPITAL AND RESERVES			
Share capital	*22*	2,168	—
Reserves	*22*	236,998	103,918
Total equity attributable to equity shareholders of the Company		239,166	103,918
Non-controlling interests		1,935	1,724
TOTAL EQUITY		241,101	105,642

Approved and authorised for issue by the board of directors on 26 March 2021.

Cheng Liquan Richard
Directors

Cheng Lifu Cliff
Directors

The notes on pages 86 to 143 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
	Note	Share capital RMB'000	Other reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		—	(345)	5,484	(108)	24,830	29,861	1,180	31,041
Changes in equity for 2019:									
Profit for the year		—	—	—	—	42,545	42,545	144	42,689
Other comprehensive income		—	—	—	(239)	—	(239)	—	(239)
Total comprehensive income		—	—	—	(239)	42,545	42,306	144	42,450
Loans waived by controlling shareholder		—	31,751	—	—	—	31,751	—	31,751
Capital injection from non-controlling shareholders of subsidiaries		—	—	—	—	—	—	400	400
Appropriation of reserve	*22(d)(iii)*	—	—	867	—	(867)	—	—	—
Balance at 31 December 2019		—	31,406	6,351	(347)	66,508	103,918	1,724	105,642

The notes on pages 86 to 143 form part of these financial statements.

For the year ended 31 December 2020
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	PRC statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020		—	—	31,406	6,351	(347)	66,508	103,918	1,724	105,642
Changes in equity for 2020:										
Profit for the year		—	—	—	—	—	40,173	40,173	211	40,384
Other comprehensive income		—	—	—	—	(3,085)	—	(3,085)	—	(3,085)
Total comprehensive income		—	—	—	—	(3,085)	40,173	37,088	211	37,299
Capitalisation issue	*22(c)*	1,626	(1,626)	—	—	—	—	—	—	—
Issue of ordinary shares by initial public offering, net of issuance costs	*22(c)*	542	97,618	—	—	—	—	98,160	—	98,160
Appropriation of reserve	*22(d)(iii)*	—	—	—	868	—	(868)	—	—	—
Balance at 31 December 2020		2,168	95,992	31,406	7,219	(3,432)	105,813	239,166	1,935	241,101

The notes on pages 86 to 143 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020
(Expressed in Renminbi)

	Note	**2020 RMB'000**	2019 RMB'000
Operating activities			
Cash generated from operations	*17(c)*	**21,584**	57,734
Tax paid		**(9,452)**	(5,423)
Net cash generated from operating activities		**12,132**	52,311
Investing activities			
Payment for the acquisition of property, plant and equipment		**(1,450)**	(135)
Capital injection in joint ventures		**(800)**	(1,000)
Proceeds from deregistration of joint ventures		**457**	—
Loans to a related party		**173**	—
Repayment of loans to a related party		**(173)**	—
Interest received		**207**	20
Net cash used in investing activities		**(1,586)**	(1,115)

The notes on pages 86 to 143 form part of these financial statements.

For the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from issue of ordinary shares by initial public offering	*22(c)*	108,840	—
Share insurance cost paid	*22(c)*	(10,680)	—
Capital element of lease rentals paid	*17(d)*	(608)	(278)
Interest element of lease rentals paid	*17(d)*	(66)	(59)
Proceeds from bank loans	*17(d)*	32,662	14,900
Repayment of bank loans	*17(d)*	(29,300)	(14,400)
Proceeds from loans from related parties	*17(d)*	—	44,441
Proceeds from loans from third parties	*17(d)*	—	10,790
Repayment of loans due to related parties	*17(d)*	—	(42,226)
Repayment of loans due to third parties	*17(d)*	(3,000)	(22,981)
Interest paid	*17(d)*	(2,770)	(4,279)
Dividends paid to former shareholders of subsidiaries		(16,756)	—
Deemed dividends paid to controlling shareholder		—	(4,074)
Capital injection from non-controlling shareholders of subsidiaries		—	400
Net cash generated from/(used in) financing activities		78,322	(17,766)
Net increase in cash		88,868	33,430
Cash at 1 January		35,632	2,202
Effect of foreign exchange rate changes		(3,084)	—
Cash at 31 December	*17(a)*	121,416	35,632
Significant non-cash financing activities			
Loans waived by controlling shareholder		—	31,751

The notes on pages 86 to 143 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(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 engaged in the 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").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interests in joint ventures.

Items included in these consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The functional currency of the Company is HK Dollar ("HK$"). The consolidated financial statements are presented in RMB, rounded to nearest thousands, which is the presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(h)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the ECL model to such other long-term interests where applicable see Note 2(h)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value). Items of property, plant and equipment including right-of-use assets are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(s)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Estimated useful life
Leasehold land (see Note 2(g))	50 years
Plant and buildings	20 years or remaining lease terms
Generators and other equipment	5–20 years
Office equipment and others	2–5 years or remaining lease terms

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (Continued)

As a lessee (Continued)

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(f) and (h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the Group presents right-of-use assets in 'property, plant and equipment' and presents the lease liabilities separately. Current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

— contract assets as defined in IFRS 15 (see Note 2(j)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment, including right-of-use assets;

— interests in joint ventures; and

— interest in a subsidiary in the Company's statement of financial position.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or Group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories (Continued)

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract assets

A contract asset is recognised when the Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(r)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(j)).

Receivables that are held for collection of contractual cash flows are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(s)).

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes pursuant to the relevant labour rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either: or

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of pitch control systems and related components and wind farm consumables

Revenue is recognised when the customer takes possession of and accepts the products.

(ii) Sales of wind power

Revenue is recognised upon transmission of electricity to the power grid company where the control of the electricity is transferred at the same time.

(iii) Rendering of wind farm maintenance, upgrade and modification and wind energy related consultancy services

Revenue from the rendering of services is recognised when the related services are rendered.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue and other income (Continued)

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(v) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(ii) Impairment of trade receivables

The Group estimates the amount of loss allowance for ECLs on trade receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the 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 4(b).

(i) Disaggregation of revenue

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

	2020 RMB'000	2019 RMB'000
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
	338,895	222,835

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 RMB'000	2019 RMB'000
Customer A	272,654	168,143
Customer B	N/A*	27,876
	272,654	196,019

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

Details of concentrations of credit risk arising from the customers are set out in Note 23(a).

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (Continued)

(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.

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results and assets (Continued)

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				
	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 wind energy related consultancy services RMB'000**	**Total RMB'000**
Reportable segment revenue	**283,847**	**20,258**	**34,790**	**—**	**338,895**
Reportable segment profit	**52,306**	**11,823**	**9,441**	**—**	**73,570**
Reportable segment assets	**254,576**	**120,239**	**19,549**	**—**	**394,364**

	2019				
	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 wind energy related consultancy services RMB'000	Total RMB'000
Reportable segment revenue	180,374	20,211	19,752	2,498	222,835
Reportable segment profit	45,861	12,055	6,321	2,160	66,397
Reportable segment assets	114,583	131,806	11,240	2,450	260,079

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	338,895	222,835
Consolidated revenue	338,895	222,835
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	(666)	(260)
Consolidated profit before taxation	47,356	49,570

	2020 RMB'000	2019 RMB'000
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	30,960	6,597
Consolidated total assets	547,426	303,186

(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.

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

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

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 RMB'000	2019 RMB'000
Net exchange gain	252	—
Others	(50)	—
	202	—

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2020 RMB'000	2019 RMB'000
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
	5,928	6,837
Interest income	(207)	(20)
Net finance costs	5,721	6,817

(b) Staff costs

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

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

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

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	2020 RMB'000	2019 RMB'000
Cost of inventories recognised as expenses *(Note 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 *(Note ii)*	**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 6(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.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	2020 RMB'000	2019 RMB'000
Current tax — PRC Corporate Income Tax		
Provision for the year	**7,103**	6,904
Deferred tax		
Origination and reversal of temporary differences *(Note 21(b))*	**(131)**	(23)
	6,972	6,881

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (CONTINUED)

(a) Taxation in the consolidated statements of profit or loss represents: (Continued)

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.

(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Profit before taxation	**47,356**	49,570
Notional tax on profit before taxation, calculated at the PRC statutory tax rate of 25%	**11,839**	12,392
Tax effect of non-deductible expenses	**3,016**	885
Tax effect of tax losses not recognised	**641**	559
Additional deductions for research and development expenses	**(1,863)**	(1,193)
Effect of PRC tax concessions obtained	**(6,661)**	(5,762)
Actual tax expense	**6,972**	6,881

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement plan RMB'000	2020 Total RMB'000
Executive directors					
Cheng Liquan Richard	—	421	—	—	421
Cheng Lifu Cliff (appointed on 17 March 2020)	—	597	—	146	743
Non-Executive directors					
Li Hao (appointed on 19 March 2020)	28	—	—	—	28
Wang Lubin (appointed on 19 March 2020)	28	—	—	—	28
Independent non-executive directors					
Yip Chun On (appointed on 4 September 2020)	28	—	—	—	28
Li Shusheng (appointed on 4 September 2020)	28	—	—	—	28
Kang Jian (appointed on 4 September 2020)	28	—	—	—	28
	140	1,018	—	146	1,304

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution retirement plan RMB'000	2019 Total RMB'000
Executive directors					
Cheng Liquan Richard (appointed on 28 November 2019)	—	—	—	—	—
Cheng Lifu Cliff (appointed on 17 March 2020)	—	533	—	—	533
	—	533	—	—	533

Both the executive directors are key management personnel of the Group during the years ended 31 December 2020 and 2019 and their remuneration disclosed above include those for services rendered by them as key management personnel.

None of these directors and any of the highest paid individuals set out in Note 9 received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2020 and 2019.

(Expressed in Renminbi unless otherwise indicated)

9 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2019: one) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2019: four individuals) are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	849	523
Discretionary bonuses	400	78
Contributions to defined contribution retirement plan	114	109
	1,363	710

The emoluments of the three (2019: four) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
HK$ nil to HK$1,000,000	3	4

10 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 RMB'000	2019 RMB'000
Issued ordinary shares at 1 January	10,000	—
Shares issued to shareholders of the Company *(Note 22(c))*	—	904
Effect of capitalisation issue *(Note 22(c))*	187,490,000	187,490,000
Effect of shares issued by initial public offering *(Note 22(c))*	12,295,082	—
Weighted average number of ordinary shares at 31 December	199,795,082	187,490,904

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE (CONTINUED)

(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.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold land RMB'000	Plant and buildings RMB'000	Generators and other equipment RMB'000	Office equipment and others RMB'000	Total RMB'000
Cost:					
At 1 January 2019	3,056	6,593	114,157	500	124,306
Additions	—	—	90	45	135
At 31 December 2019 and 1 January 2020	3,056	6,593	114,247	545	124,441
Additions	43	1,296	893	5,020	7,252
At 31 December 2020	**3,099**	**7,889**	**115,140**	**5,565**	**131,693**
Accumulated depreciation:					
At 1 January 2019	(174)	(1,081)	(15,801)	(217)	(17,273)
Charge for the year	(61)	(567)	(5,733)	(133)	(6,494)
At 31 December 2019 and 1 January 2020	(235)	(1,648)	(21,534)	(350)	(23,767)
Charge for the year	(62)	(696)	(5,790)	(330)	(6,878)
At 31 December 2020	**(297)**	**(2,344)**	**(27,324)**	**(680)**	**(30,645)**
Net book value:					
At 31 December 2020	**2,802**	**5,545**	**87,816**	**4,885**	**101,048**
At 31 December 2019	2,821	4,945	92,713	195	100,674

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of carrying amount (Continued)

Notes:

(i) As at 31 December 2020, property certificates of certain properties with an aggregate net book value of RMB3,737,000 (2019: RMB3,983,000), respectively, are yet to be obtained.

(ii) Certain property, plant and equipment of the Group were pledged as security for bank loans. Details are set out as follows:

	2020 RMB'000	2019 RMB'000
Leasehold land	**2,802**	2,821
Generators and other equipment	**64,662**	66,020
	67,464	68,841

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020 RMB'000	2019 RMB'000
Leasehold land held for own use, carried at depreciated cost in the PRC, with remaining lease term of between 10 and 50 years	**2,802**	2,821
Plant and buildings leased for own use, carried at depreciated cost	**1,809**	962
Other equipment and others for own use, carried at depreciated cost	**4,355**	—
	8,966	3,783

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Leasehold land	62	61
Plant and buildings	450	321
Other equipment and others	150	—
	662	382
Interest on lease liabilities *(Note 6(a))*	66	59
Expense relating to short-term leases	123	132

During the year ended 31 December 2020, additions to right-of-use assets were RMB5,801,000 (2019: RMB nil). This amount primarily related to the capitalised lease payments under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 17(e), 20 and 23(b), respectively.

(Expressed in Renminbi unless otherwise indicated)

12 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
China Transport Real Time Service Co., Ltd. ("China Transport")	The British Virgin Islands	United States Dollar ("US$") 1	100%	100%	—	Investment holding
Jiangyin Hongyuan New Energy Technology Co., Ltd.* (江陰弘遠新能源科技有限公司)	The PRC	US$4,000,000	100%	—	100%	Integration, manufacturing and sales of pitch control systems and related components and wind farm operation and maintenance business
Beijing Nature Heli New Energy Technology Co., Ltd. ("Beijing Nature")* (北京納泉合力新能源科技有限責任公司)	The PRC	RMB5,000,000	100%	—	100%	Investment holding
Datang Gucang Duolun New Energy Co., Ltd.* (大唐穀倉多倫新能源有限公司)	The PRC	RMB33,000,000	96.97%	—	96.97%	Wind power generation and sales
Datong Fengze Energy Technology Co., Ltd.* (大同灃澤能源科技有限公司)	The PRC	RMB900,000	60%	—	60%	Investment holding
Datong City Yungang District Yuanze Energy Technology Co., Ltd.* (大同市雲岡區沅澤能源科技有限公司)	The PRC	RMB500,000	60%	—	60%	Wind power generation and sales

* All the subsidiaries in the PRC are established as limited liability companies.

(Expressed in Renminbi unless otherwise indicated)

13 INTERESTS IN JOINT VENTURES

	2020 RMB'000	2019 RMB'000
Share of net assets	**417**	740
Share of loss	**666**	260

Details of the Group's interests in joint ventures which is accounted for using equity method in the consolidated financial statements are set out below:

Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid-in capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Datong Fengyuan Energy Technology Co., Ltd. (大同灃沅能源科技有限公司)	Incorporated	The PRC	RMB2,600,000	50%	—	50%	Investment holding
Lingqiu County Fengyuan Energy Technology Co., Ltd. (靈丘縣灃沅能源科技有限公司)	Incorporated	The PRC	RMB2,580,000	50%	—	50%	Wind power generation and sales
Datong City Haiyuan Energy Technology Co., Ltd. (大同市海沅能源科技有限公司) *(Note i)*	Incorporated	The PRC	RMB1,000,000	—	—	—	Investment holding
Yanggao County Hailan Energy Development Co., Ltd. (陽高縣海瀾能源開發有限公司) *(Note ii)*	Incorporated	The PRC	RMB500,000	—	—	—	Wind power generation and sales

Notes:

(i) Datong City Haiyuan Energy Technology Co., Ltd. was deregistered on 28 April 2020.

(ii) Yanggao County Hailan Energy Development Co., Ltd. was deregistered on 26 February 2020.

(Expressed in Renminbi unless otherwise indicated)

13 INTERESTS IN JOINT VENTURES (CONTINUED)

The information of joint ventures is as follow:

	2020 RMB'000	2019 RMB'000
Carrying amount of joint ventures in the consolidated statements of financial position	417	740

	2020 RMB'000	2019 RMB'000
The Group's share of joint ventures		
Loss from operations	(666)	(260)
Total comprehensive income	(666)	(260)

14 CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
Contract assets arising from		
Retention receivables on the sale of pitch control systems and related components	762	—

The Group normally allows a credit period of 30 to 90 days to its customers. For retention receivables, the due dates usually fall from five to six years after the delivery and acceptance of pitch control systems and related components.

The amount of contract assets that is expected to be recovered after more than one year is RMB762,000 (2019: RMB nil), all of which relates to retentions.

(Expressed in Renminbi unless otherwise indicated)

15 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	2020 RMB'000	2019 RMB'000
Raw materials	8,320	7,551
Work in progress	5,519	—
Finished goods	2,344	132
Goods in transit	406	2,055
	16,589	9,738

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	245,681	142,202
Provision for write-down of inventories	—	—
	245,681	142,202

All inventories are expected to be recovered within one year.

16 TRADE AND OTHER RECEIVABLES

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

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

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and bills receivable

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

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 RMB'000	2019 RMB'000
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
	271,408	145,372

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 (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in 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.

(Expressed in Renminbi unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and bills receivable (Continued)

Details of the Group's analysis of credit risk are set out in Note 23(a).

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.

17 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Cash at bank	**121,406**	35,622
Cash in hand	**10**	10
	121,416	35,632

(b) Pledged deposits comprise:

	2020 RMB'000	2019 RMB'000
Pledged deposits for issuance of bills payable	**30,960**	6,597

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

(c) Reconciliation of profits before taxation to cash generated from operations

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**47,356**	49,570
Adjustments for:			
— Depreciation of property, plant and equipment	*6(c)*	**6,878**	6,494
— Net finance costs	*6(a)*	**5,721**	6,817
— Share of loss of joint ventures	*13*	**666**	260
— Provision of loss allowance on trade and other receivables	*6(c)*	**874**	146
Changes in working capital:			
Increase in contract assets		**(762)**	—
Increase in inventories		**(6,851)**	(3,465)
Increase in trade and other receivables		**(127,537)**	(25,611)
Increase in pledged deposits		**(24,363)**	(6,597)
Increase in trade and other payables		**119,602**	30,120
Cash generated from operations		**21,584**	57,734

(Expressed in Renminbi unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings RMB'000 (Note 18)	Interest payable RMB'000 (Note 19)	Lease liabilities RMB'000 (Note 20)	Total RMB'000
At 1 January 2020	93,210	19,272	1,024	113,506
Changes from financing cash flows:				
Capital element of lease rentals paid	—	—	(608)	(608)
Interest element of lease rentals paid	—	—	(66)	(66)
Proceeds from bank loans	32,662	—	—	32,662
Repayment of bank loans	(29,300)	—	—	(29,300)
Repayment of loans due to third parties	(3,000)	—	—	(3,000)
Interest paid	—	(2,770)	—	(2,770)
Total changes from financing cash flows	362	(2,770)	(674)	(3,082)
Other changes:				
New finance leases	—	—	5,801	5,801
Interest expenses *(Note 6(a))*	—	5,422	66	5,488
At 31 December 2020	93,572	21,924	6,217	121,713

(Expressed in Renminbi unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 *(Note 18)*	Interest payable RMB'000 *(Note 19)*	Lease liabilities RMB'000 *(Note 20)*	Total RMB'000
At 1 January 2019	134,437	17,090	1,302	152,829
Changes from financing cash flows:				
Capital element of lease rentals paid	—	—	(278)	(278)
Interest element of lease rentals paid	—	—	(59)	(59)
Proceeds from bank loans	14,900	—	—	14,900
Repayment of bank loans	(14,400)	—	—	(14,400)
Proceeds from new loans from related parties	44,441	—	—	44,441
Proceeds from new loans from third parties	10,790	—	—	10,790
Repayment of loans due to related parties	(42,226)	—	—	(42,226)
Repayment of loans due to third parties	(22,981)	—	—	(22,981)
Interest paid	—	(4,279)	—	(4,279)
Total changes from financing cash flows	(9,476)	(4,279)	(337)	(14,092)
Other changes:				
Interest expenses *(Note 6(a))*	—	6,461	59	6,520
Loans waived by controlling shareholder	(31,751)	—	—	(31,751)
At 31 December 2019	93,210	19,272	1,024	113,506

(Expressed in Renminbi unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

(e) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	123	132
Within financing cash flows	674	337
	797	469

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	796	469

18 BANK LOANS AND OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Current		
Bank loans *(Note (a) below)*	46,195	29,300
Loans due to third parties *(Note (b) below)*	47,377	50,377
	93,572	79,677
Non-current		
Bank loans *(Note (a) below)*	—	13,533
	—	13,533
	93,572	93,210

(Expressed in Renminbi unless otherwise indicated)

18 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

(a) Bank loans

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

	2020 RMB'000	2019 RMB'000
Short-term bank loans	32,662	14,900
Current portion of long-term bank loans	13,533	14,400
Within 1 year or on demand	46,195	29,300
After 1 year but within 2 years	—	13,533
	—	13,533
	46,195	42,833

At the end of each reporting period, the bank loans were secured as follows:

	2020 RMB'000	2019 RMB'000
Bank loans		
— Secured *(Note)*	37,195	27,933
— Unsecured	9,000	14,900
	46,195	42,833

Note:

The bank loans were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment		
— Leasehold land *(Note 11)*	2,802	2,821
— Generators and other equipment *(Note 11)*	64,662	66,020
Trade receivables *(Note 16)*	23,662	—
	91,126	68,841

(Expressed in Renminbi unless otherwise indicated)

18 BANK LOANS AND OTHER BORROWINGS (CONTINUED)

(a) Bank loans (Continued)

Certain bank facilities granted to the Group were guaranteed by Mr. Cheng Liquan Richard, the ultimate controlling shareholder of the Company, at 31 December 2019 and Mr. Cheng Lifu Cliff, the executive director of the Company, and his spouse, at 31 December 2020.

	2020	2019
	RMB'000	RMB'000
Guarantees to banks for granting banking facilities	**4,000**	4,900

(b) Loans due to third parties

At 31 December 2020, loans due to third parties represented loans, which were subject to an interest rate ranging from 3.5% to 7% (2019: 0% to 7%) per annum, were unsecured and have no fixed repayment terms or repayable within one year.

19 TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	RMB'000
Current		
Trade payables *(Note (a) below)*	**71,836**	24,418
Bills payable	**96,215**	26,804
Other payables *(Note (b) below)*	**36,820**	41,092
	204,871	92,314
Non-current		
Other payables *(Note (b) below)*	**—**	6,982
	204,871	99,296

(Expressed in Renminbi unless otherwise indicated)

19 TRADE AND OTHER PAYABLES (CONTINUED)

(a) 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 RMB'000	2019 RMB'000
Within 3 month	**67,766**	22,116
3 to 6 months	**3,270**	177
6 to 12 months	**—**	—
Over 12 months	**800**	2,125
	71,836	24,418

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

(b) Other payables

	2020 RMB'000	2019 RMB'000
Interest payable due to related parties	**—**	508
Interest payable due to third parties	**21,924**	18,764
Dividends payable to former shareholders of subsidiaries	**—**	16,756
Payables for staff related costs	**2,813**	1,042
Others	**12,083**	11,004
	36,820	48,074
Represented by:		
Current liabilities	**36,820**	41,092
Non-current liabilities	**—**	6,982
	36,820	48,074

(Expressed in Renminbi unless otherwise indicated)

20 LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	1,620	325
After 1 year but within 2 years	1,390	340
After 2 years but within 5 years	3,207	359
After 5 years	—	—
	4,597	699
	6,217	1,024

21 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	4,014	2,533
Provision for the year:		
— PRC Corporate Income Tax	7,103	6,904
Tax paid:		
— PRC Corporate Income Tax	(9,452)	(5,423)
At the end of the year	1,665	4,014

(Expressed in Renminbi unless otherwise indicated)

21 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets recognised:

The component of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Loss allowance for trade and other receivables RMB'000
At 1 January 2019	115
Recognised in profit or loss	23
At 31 December 2019 and 1 January 2020	138
Recognised in profit or loss	131
At 31 December 2020	**269**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Group has not recognised deferred tax assets of RMB2,784,000 (2019: RMB2,143,000), in respect of cumulative tax losses of RMB11,136,000 (2019: RMB8,575,000) as at 31 December 2020, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses incurred by the subsidiary in the PRC will expire within 5 years from the year when such losses were incurred under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2020, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB122,566,000 (2019: RMB70,985,000). Deferred tax liabilities of RMB12,257,000 (2019: RMB7,099,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

			Reserves				
The Company	*Note*	**Share capital** RMB'000	**Share premium** RMB'000	**Other reserve** RMB'000	**Exchange reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
Balance at 1 January 2019		—	—	—	—	—	—
Changes in equity for 2019:							
Shares issued to shareholders of the Company	*22(c)*	—*	—	—	—	—	—*
Reorganisation under common control		—	—	28,520	—	—	28,520
Balance at 31 December 2019 and 1 January 2020		—	—	28,520	—	—	28,520
Changes in equity for 2020:							
Total comprehensive income for the year		—	—	—	(2,842)	(6,750)	(9,592)
Capitalisation issue	*22(c)*	1,626	(1,626)	—	—	—	—
Issue of ordinary shares by initial public offering, net of issuance costs	*22(c)*	542	97,618	—	—	—	98,160
Balance at 31 December 2020	*26*	**2,168**	**95,992**	**28,520**	**(2,842)**	**(6,750)**	**117,088**

* The balance represented number less than RMB1,000.

(b) Dividends

No dividend was paid or declared by the Company for the years ended 31 December 2020 and 2019.

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital

	Note	2020 No. of shares	2020 RMB'000	2019 No. of shares	2019 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		250,000,000	2,168	10,000	—*

* 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 28 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.

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purposes of reserves

(i) Share premium

The share premium represents the difference between consideration received for ordinary shares subscription net of any transaction costs directly attributable to the subscription and the par value of the ordinary shares subscribed.

(ii) Other reserve

Other reserve primarily represented: (i) the paid-up capital of Beijing Nature prior to 30 June 2018 attributable to the ultimate shareholder of the Group; (ii) the difference between the carrying value of the net assets attributable to the non-controlling shareholders of Beijing Nature and the consideration paid for the acquisition of non-controlling interests; (iii) the deemed dividends of Beijing Nature to controlling shareholder; and (iv) the amount of loans of China Transport waived by controlling shareholder on 31 December 2019.

(iii) Statutory surplus reserve

According to laws applicable to the foreign investment enterprises in the PRC and the Articles of Association of certain subsidiaries of the Company in the PRC, the PRC entities are required to appropriate part of their net profits as determined in accordance with the PRC GAAP to various reserves. These include general reserve and statutory surplus reserve.

For general reserve, appropriation to general reserve is at the discretion of the directors of the relevant PRC entities. The reserve can only be used for specific purposes and is not distributable as cash dividends.

For statutory surplus reserve, 10% of the net profit, as determined in accordance with the PRC GAAP, of the relevant PRC entities is transferred to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital of the relevant PRC companies. The transfer to this reserve must be made before distribution of dividends to shareholders can be made. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issue is not less than 25% of the registered capital. Any amount of funds outside of the 50% reserve balance can be distributed as by the relevant PRC entities, as advances or cash dividends, subject however, to complying with applicable requirements. Such dividend or loans could take a considerable amount of time to implement and to be processed by certain governmental agencies.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(t).

(Expressed in Renminbi unless otherwise indicated)

22 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is calculated as the aggregate amount of bank loans and other borrowings and lease liabilities less cash and cash equivalent.

The adjusted net debt-to-capital ratios at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Bank loans and other borrowings	93,572	93,210
Lease liabilities	6,217	1,024
Total debt	99,789	94,234
Less: Cash and cash equivalents	(121,416)	(35,632)
Adjusted net (asset)/debt	(21,627)	58,602
Total equity	241,101	105,642
Adjusted net debt-to-capital ratio	N/A	55%

Neither the Company nor its subsidiaries are subject to internally or externally imposed capital requirements.

(Expressed in Renminbi unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 79% (2019: 65%) and 99% (2019: 100%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing, except for the tariff premium. Normally, the Group does not obtain collateral from customers, respectively.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

As at the end of the reporting period, the analysis of trade receivables and contract assets, net of loss allowance, by nature is as follows:

	2020 **RMB'000**	2019 RMB'000
Tariff premium receivables	**23,222**	32,162
Other trade receivables	**196,552**	100,838
Contract assets	**762**	—
	220,536	133,000

(Expressed in Renminbi unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

As at 31 December 2020 and 2019, 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. The tariff premium receivables accounted for 11% (2019: 24%) of the Group's total trade receivables and contract assets as at 31 December 2020.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables other than tariff premium and contract assets:

	2020		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.80%**	**151,233**	**1,205**
Less than 6 month past due	**1.22%**	**47,872**	**586**
		199,105	**1,791**

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.82%	82,365	675
Less than 6 month past due	1.25%	19,390	242
		101,755	917

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group had no historical loss experience in respect of the trade receivables and contract assets during the past and no significant change in forward-looking information including the macroeconomics environment and industry development in the PRC, in which the Group's principal business operates.

(Expressed in Renminbi unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

Movement in the loss allowance in respect of trade receivables and contract assets during the year is as follows:

	2020 RMB'000	2019 RMB'000
Balance at the beginning of the year	917	771
Impairment losses recognised during the year	874	146
Balance at the end of the year	1,791	917

The following significant changes in the gross carrying amounts of trade receivables and contract assets contributed to the change in the loss allowance:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB530,000 (2019: RMB361,000); and

— change in days past due less than 6 months resulted in an increase of RMB343,000 (2019: a decrease of RMB215,000) in loss allowance.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with leading covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

(Expressed in Renminbi unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	2020				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December 2020 RMB'000
Bank loans and other borrowings	94,854	—	—	94,854	93,572
Trade and other payables	204,871	—	—	204,871	204,871
Lease liabilities	1,883	1,582	3,434	6,899	6,217
	301,608	1,582	3,434	306,624	304,660

	2019				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December 2019 RMB'000
Bank loans and other borrowings	82,094	14,355	—	96,449	93,210
Trade and other payables	92,314	7,312	—	99,626	99,296
Lease liabilities	370	370	370	1,110	1,024
	174,778	22,037	370	197,185	193,530

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below:

(Expressed in Renminbi unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	2020		2019	
	Effective Interest rate %	Amount RMB'000	Effective Interest rate %	Amount RMB'000
Fixed rate borrowings:				
Bank loans	5%	23,662	N/A	—
Loans due to third parties	3.5%–7%	47,377	0%–7%	50,377
Lease liabilities	4.75%	6,217	4.75%	1,024
		77,256		51,401
Variable rate borrowings:				
Bank loans	4.35%–6.18%	22,533	4.79%–6.18%	42,833
Net exposure		22,533		42,833

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased or increased the Group's profit after tax and retained profits by approximately RMB225,000 (2019: RMB428,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to floating rate non-derivative instruments held by the Group, which expose the Group to cash flow interest rate risk. The impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates. Fixed rate financial instruments are excluded for the above analysis. The analysis is performed on the same basis as 2019.

(Expressed in Renminbi unless otherwise indicated)

23 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly dominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The directors considered the Group's exposure to foreign currency risk is not significant during the years ended 31 December 2020 and 2019.

(e) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

24 CAPITAL COMMITMENTS

There are no significant capital commitments outstanding at the respective year end not provided for at 31 December 2020 and 2019.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2020 **RMB'000**	2019 RMB'000
Short-term employee benefits	**2,742**	1,326
Contributions to defined contribution plans	**252**	101
	2,994	1,427

Total remuneration is included in "staff costs" (see Note 6(b)).

(Expressed in Renminbi unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Guarantees issued by related parties

	2020 RMB'000	2019 RMB'000
Guarantees to banks for granting banking facilities	4,000	4,900

Certain bank facilities granted to the Group in Note 18(a) were guaranteed by Mr. Cheng Liquan Richard, the ultimate controlling shareholder of the Company, at 31 December 2019 and Mr. Cheng Lifu Cliff, the executive director of the Company, and his spouse, at 31 December 2020.

(c) Leasing arrangements

In November 2020, the Group entered into a five-year lease in respect of certain properties from Hong Kong Shengshi Taihe Culture and Arts Centre Limited, the affiliate company under the ultimate controlling shareholder, for office use. The amount of rent payable by the Group under the lease is HK$20,000 per month. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB901,000.

In November 2020, the Group entered into a five-year lease in respect of certain motor vehicles from Sure Team Limited, the affiliate company under the ultimate controlling shareholder, for office use. The amount of rent payable by the Group under the lease is HK$50,000 per month. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of RMB4,505,000.

(d) Other significant related party transactions

During the years ended 31 December 2020 and 2019, the Group had following transactions with Mr. Cheng Liquan Richard, the ultimate controlling shareholder, Shanghai Yingzhen Technology Co., Ltd. ("Shanghai Yingzhen"), EastAsia Power Holding Ltd., ("EastAsia") and World Hero International Limited ("World Hero"), the affiliate companies under the ultimate controlling shareholder:

Mr. Cheng Liquan Richard	2020 RMB'000	2019 RMB'000
Non-trading transactions:		
New loans received	—	20,479
Loans waived *(Note)*	—	15,947
Interest on loans	—	144

Shanghai Yingzhen	2020 RMB'000	2019 RMB'000
Non-trading transaction:		
New loans received	—	10,001

(Expressed in Renminbi unless otherwise indicated)

25 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Other significant related party transactions (Continued)

EastAsia	**2020 RMB'000**	2019 RMB'000
Non-trading transactions:		
New loans received	—	13,961
Loans waived *(Note)*	—	15,804

World Hero	**2020 RMB'000**	2019 RMB'000
Non-trading transaction:		
New loans provided	173	—

Note: The Group's loans due to Mr. Cheng Liquan Richard of RMB15,947,000 and loans due to EastAsia of RMB15,804,000 were waived irrevocably and unconditionally in full on 31 December 2019.

(e) Significant related party balances

As of the end of the reporting period, the Group had following balances with Mr. Cheng Liquan Richard, the ultimate controlling shareholder of the Group, Shanghai Yingzhen, the affiliate companies under the ultimate controlling shareholder:

	2020 RMB'000	2019 RMB'000
Non-trading balances:		
Mr. Cheng Liquan Richard	—	9,842
Shanghai Yingzhen	—	173
	—	10,015

The outstanding balances with these related parties are included in trade and other payables in Note 19.

(f) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of guarantees issued, leasing arrangements, new loans received and provided, interest on loans and loans waived mentioned in Note 25(b), (c) and (d) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided under the section "Connected Transactions" in the Report of Directors. However those transactions in respect of guarantees issued, new loans received and provided, interest on loans and loans waived transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are financial assistance under Rule 14A.90 or below the de minimis threshold under Rule 14A.76(1).

(Expressed in Renminbi unless otherwise indicated)

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 RMB'000	2019 RMB'000
Non-current assets		
Interest in subsidiaries	28,520	28,520
Property, plant and equipment	5,226	—
	33,746	28,520
Current assets		
Other receivables	421	—
Cash and cash equivalents	93,192	—
	93,613	—
Current liabilities		
Other payables	5,046	—
Lease liabilities	985	
	6,031	—
Net current assets	87,582	—
Total assets less current liabilities	121,328	28,520
Non-current liabilities		
Lease liabilities	4,240	—
	4,240	—
NET ASSETS	117,088	28,520
CAPITAL AND RESERVES		
Share capital	2,168	—*
Reserves	114,920	28,520
TOTAL EQUITY	117,088	28,520

* The balance represented number less than RMB1,000.

(Expressed in Renminbi unless otherwise indicated)

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors of the Company consider the immediate parent of the Group is Hongyuan Limited, a company incorporated in the Cayman Islands. The ultimate controlling shareholder of the Group is Mr. Cheng Liquan Richard. Hongyuan Limited does not produce financial statements available for public use.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance Contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

SUMMARIZED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

RMB'000	2017	2018	2019	**2020**
Revenue	57,314	144,424	222,835	**338,895**
Gross profit	18,871	44,503	66,397	**73,570**
Profit before taxation	8,988	31,423	49,570	**47,356**
Profit for the year	7,699	27,875	42,689	**40,384**
Profit for the year attributable to equity shareholders of the Company	6,401	26,844	42,545	**40,173**

SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RMB'000	2017	2018	2019	**2020**
Non-current assets	111,975	107,878	101,917	**102,496**
Current assets	84,016	132,312	201,269	**444,930**
Current liabilities	98,994	152,127	176,330	**301,728**
Non-current liabilities	70,096	57,022	21,214	**4,597**
Total equity	26,901	31,041	105,642	**241,101**

SUMMARIZED CONSOLIDATED CASH FLOW STATEMENT

RMB'000	2017	2018	2019	**2020**
Cash and cash equivalents at the beginning of year	2,225	2,065	2,202	**35,632**
Net cash generated from operating activities	(5,768)	(10,687)	52,311	**12,132**
Net cash (used in) generated from investing activities	(48,935)	(3,741)	(1,115)	**(1,586)**
Net cash (used in) generated from financing activities	54,543	14,565	(17,766)	**78,322**
Net increase in cash and cash equivalents	(160)	137	33,430	**88,868**
Effect of foreign exchange rate changes	—	—	—	**(3,084)**
Cash and cash equivalents at the end of year	2,065	2,202	35,632	**121,416**