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China Nature Energy Technology Holdings Limited

中國納泉能源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1597)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “**Board**”) of China Nature Energy Technology Holdings Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2021*

(Expressed in Renminbi)

		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	312,864	338,895
Cost of sales		<u>(266,991)</u>	<u>(265,325)</u>
Gross profit		45,873	73,570
Other revenue	4(a)	4,749	4,987
Other net (loss)/income	4(b)	(307)	202
Selling and distribution expenses		(5,832)	(3,788)
Administrative and other operating expenses		<u>(14,910)</u>	<u>(21,228)</u>
Profit from operations		29,573	53,743
Net finance costs	5(a)	(4,031)	(5,721)
Share of loss of joint ventures		<u>(2,069)</u>	<u>(666)</u>
Profit before taxation	5	23,473	47,356
Income tax	6	<u>(2,128)</u>	<u>(6,972)</u>
Profit for the year		<u>21,345</u>	<u>40,384</u>
Attributable to:			
Equity shareholders of the Company		21,069	40,173
Non-controlling interests		<u>276</u>	<u>211</u>
Profit for the year		<u>21,345</u>	<u>40,384</u>
Earnings per share	7		
Basic and diluted (<i>RMB</i>)		<u>0.084</u>	<u>0.201</u>

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

for the year ended 31 December 2021

(Expressed in Renminbi)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Profit for the year		<u>21,345</u>	<u>40,384</u>
Other comprehensive income for the year (after tax adjustments)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of entities with functional currencies other than Renminbi (“RMB”)		<u>(914)</u>	<u>(3,085)</u>
Other comprehensive income for the year		<u>(914)</u>	<u>(3,085)</u>
Total comprehensive income for the year		<u><u>20,431</u></u>	<u><u>37,299</u></u>
Attributable to:			
Equity shareholders of the Company		20,155	37,088
Non-controlling interests		<u>276</u>	<u>211</u>
Total comprehensive income for the year		<u><u>20,431</u></u>	<u><u>37,299</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		97,960	101,048
Interests in joint ventures		—	417
Contract assets		2,595	762
Deferred tax assets		201	269
		<u>100,756</u>	<u>102,496</u>
Current assets			
Assets held for sale		7,048	—
Inventories		18,650	16,589
Trade and other receivables	9	269,555	275,965
Loans to related parties and a third party		25,382	—
Cash and cash equivalents		40,572	121,416
Pledged deposits		42,448	30,960
		<u>403,655</u>	<u>444,930</u>
Current liabilities			
Bank loans and other borrowings		50,270	93,572
Trade and other payables	10	183,817	204,871
Lease liabilities		2,242	1,620
Contract liabilities		772	—
Current taxation		489	1,665
		<u>237,590</u>	<u>301,728</u>
Net current assets		<u>166,065</u>	<u>143,202</u>
Total assets less current liabilities		<u>266,821</u>	<u>245,698</u>
Non-current liabilities			
Trade and other payables	10	1,906	—
Lease liabilities		5,354	4,597
		<u>7,260</u>	<u>4,597</u>
NET ASSETS		<u>259,561</u>	<u>241,101</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
CAPITAL AND RESERVES			
Share capital	11	2,168	2,168
Reserves		257,393	236,998
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		259,561	239,166
Non-controlling interests		—	1,935
		<hr/>	<hr/>
TOTAL EQUITY		259,561	241,101
		<hr/> <hr/>	<hr/> <hr/>

NOTES

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

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

The consolidated financial statements are presented in Renminbi, unless otherwise stated and have approved for issue by the Board of Directors on 28 March 2022. They have been prepared in accordance with all applicable International Financial Reporting Standard (“**IFRSs**”) using the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The financial information relating to the financial year ended 31 December 2021 that is included in this preliminary annual results announcement does not constitute the Company’s annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — phase 2*

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.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) *Disaggregation of revenue*

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sales of pitch control systems and related components	257,782	283,847
Sales of wind power	22,539	20,258
Wind farm operation and maintenance business	32,439	34,790
Provision of energy storage management solutions	104	—
	<u>312,864</u>	<u>338,895</u>

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

The Group had one customer with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 December 2021 and 2020, respectively. In 2021, revenue from sales of pitch control systems and related components and wind farm operation and maintenance business to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to RMB230,875,000 (2020: RMB272,654,000).

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

As at 31 December 2021, 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 sales of the pitch control systems and related components in wind turbines manufacturing;
- Sales of wind power: it engages in the sales of the wind power electricity generated from wind farms;
- Wind farm operation and maintenance business: it provides wind farm operation and maintenance, upgrade and modification services and engages in the sales of wind farm consumables; and
- Provision of energy storage management solutions: it engages in the provision of energy storage management services and sales of related products.

(i) Segment results and assets

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

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

The measure used for reporting segment profit is gross profit.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	2021				Total <i>RMB'000</i>
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Provision of energy storage management solutions <i>RMB'000</i>	
Reportable segment revenue	<u>257,782</u>	<u>22,539</u>	<u>32,439</u>	<u>104</u>	<u>312,864</u>
Reportable segment profit	<u>23,511</u>	<u>12,667</u>	<u>9,640</u>	<u>55</u>	<u>45,873</u>
Reportable segment assets	<u>239,790</u>	<u>124,749</u>	<u>22,309</u>	<u>1,912</u>	<u>388,760</u>
	2020				
	Sales of pitch control systems and related components <i>RMB'000</i>	Sales of wind power <i>RMB'000</i>	Wind farm operation and maintenance business <i>RMB'000</i>	Provision of energy storage management solutions <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	<u>283,847</u>	<u>20,258</u>	<u>34,790</u>	<u>—</u>	<u>338,895</u>
Reportable segment profit	<u>52,306</u>	<u>11,823</u>	<u>9,441</u>	<u>—</u>	<u>73,570</u>
Reportable segment assets	<u>254,576</u>	<u>120,239</u>	<u>19,549</u>	<u>—</u>	<u>394,364</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue		
Reportable segment revenue	<u>312,864</u>	<u>338,895</u>
Consolidated revenue	<u><u>312,864</u></u>	<u><u>338,895</u></u>
Profit		
Reportable segment profit	45,873	73,570
Other revenue	4,749	4,987
Other net (loss)/income	(307)	202
Selling and distribution expenses	(5,832)	(3,788)
Administrative and other operating expenses	(14,910)	(21,228)
Net finance costs	(4,031)	(5,721)
Share of loss of joint ventures	<u>(2,069)</u>	<u>(666)</u>
Consolidated profit before taxation	<u><u>23,473</u></u>	<u><u>47,356</u></u>
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets		
Reportable segment assets	388,760	394,364
Interests in joint ventures	—	417
Deferred tax assets	201	269
Assets held for sale	7,048	—
Loan to related parties and a third party	25,382	—
Cash and cash equivalents	40,572	121,416
Pledged deposits	<u>42,448</u>	<u>30,960</u>
Consolidated total assets	<u><u>504,411</u></u>	<u><u>547,426</u></u>

(iii) *Geographic information*

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

4 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

(a) Other revenue

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
VAT refund (<i>Note i</i>)	2,406	4,187
Government subsidies (<i>Note ii</i>)	2,281	794
Others	<u>62</u>	<u>6</u>
	<u>4,749</u>	<u>4,987</u>

Notes:

- (i) Pursuant to Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry (Guofa [2011] No.4), enterprises engaged in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software products in the PRC exceeds 3% of the sales amounts. During the years ended 31 December 2021 and 2020, the Group received such VAT refund of RMB680,000 and RMB3,195,000 respectively.

Pursuant to Taxation Policy for Encouraging the use of wind power generation and promote the healthy development of relevant industries (Caishui [2015] No.74), enterprises selling self-produced power products produced by wind power will be subject to the policy of 50% VAT refund. During the years ended 31 December 2021 and 2020, the Group received such VAT refund of RMB1,726,000 and RMB992,000 respectively.

- (ii) During the years ended 31 December 2021 and 2020, the Group received unconditional government subsidies of RMB2,281,000 and RMB794,000 respectively, as encouragement of their contribution in technology development and local economy.

(b) Other net (loss)/income

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net exchange (loss)/gain	(118)	252
Others	<u>(189)</u>	<u>(50)</u>
	<u>(307)</u>	<u>202</u>

5 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on bank loans	1,533	2,260
Interest expenses on loans due to third parties	2,597	3,162
Interest expense on lease liabilities	305	66
Others	—	440
	<u>4,435</u>	<u>5,928</u>
Interest income	(404)	(207)
Net finance costs	<u><u>4,031</u></u>	<u><u>5,721</u></u>

(b) Staff costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries, wages and other benefits	22,713	15,667
Contributions to defined contribution retirement plan	2,016	657
	<u>24,729</u>	<u>16,324</u>

(c) Other items

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories recognised as expenses (<i>Note</i>)	251,139	252,578
Depreciation charges		
— owned property, plant and equipment	6,431	6,216
— right-of-use assets	2,311	662
(Reversal)/provision of loss allowance on trade and other receivables	(452)	874
Listing expenses	—	11,553
Auditors' remuneration	1,500	2,580
	<u><u>1,500</u></u>	<u><u>2,580</u></u>

Note:

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

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Taxation in the consolidated statements of profit or loss represents:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax — PRC Corporate Income Tax		
Provision for the year	2,080	7,103
Over-provision in respect of prior years	(20)	—
Deferred tax		
Origination and reversal of temporary differences	<u>68</u>	<u>(131)</u>
	<u>2,128</u>	<u>6,972</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the subsidiaries of the Group which operate in PRC is subject to Corporate Income Tax at a rate of 25% on its taxable income.
- (iii) According to the Administrative Measures for Determination of High Tech Enterprises (Guokefahuo [2016] No.32), Jiangyin Hongyuan New Energy Technology Co., Ltd. obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2021 to 2023.
- (iv) Pursuant to Caishui [2011] No.58 and Caishui [2020] No.23 Notice on Tax Policies for Further Implementation of Western Regions Development Strategy, Datang 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% for the years from 2019 to 2021.

Trade and bills receivable

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Measured at amortised cost		
— Trade receivables	185,204	221,565
— Bills receivable	22,042	48,763
Measured at fair value through other comprehensive income (FVOCI)		
— Bills receivable (<i>Note</i>)	<u>61,476</u>	<u>2,871</u>
	268,722	273,199
Less: loss allowance	<u>(1,339)</u>	<u>(1,791)</u>
	<u>267,383</u>	<u>271,408</u>

Note:

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

The bills accepted by banks with high credit quality were derecognised when they were endorsed or discounted. In the opinion of the directors, the Group did not retain substantially all the risks and rewards of ownership of these bills, because the credit risk of the acceptance banks was very low and the Group had transferred out all interest risk of the bills upon endorsement or discount. As the transferees had the practical ability to further endorse or discount the bills, control of these bills were transferred upon endorsement or discount and thus they were derecognised. As at 31 December 2021, bills endorsed or discounted and derecognised, but yet reached maturity amounted to RMB20,897,000 (2020: RMB12,346,000). This represents the Group's maximum exposure to loss should the acceptance banks fail to settle the bills on maturity date. However, non-settlement by those acceptance banks was considered unlikely.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	246,953	260,025
Over 1 year but within 2 years	9,047	11,383
Over 2 years but within 3 years	<u>11,383</u>	<u>—</u>
	<u>267,383</u>	<u>271,408</u>

Generally, the Group's trade receivables are due within 30 to 90 days from the date of billing, except for the tariff premium, representing 56% (2020: 52%) of total wind power sales for the year ended 31 December 2021. 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 2021, the tariff premium receivables included in the trade and other receivables amounted to RMB34,566,000 (2020: RMB23,222,000).

Pursuant to Caijian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. The directors of the Company are of the opinion that the tariff premium receivables are fully recoverable considering that there are no loss experiences with the grid company in the past and the tariff premium is funded by the PRC government.

As at 31 December 2021, bills receivable of RMB16,544,000 (2020: RMB78,501,000) were pledged as security for issuance of bills payable.

As at 31 December 2021, trade receivables of RMB nil (2020: RMB23,662,000) were pledged as security for bank loans.

10 TRADE AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current		
Trade payables	81,406	71,836
Bills payable	63,606	96,215
Other payables	38,805	36,820
	<u>183,817</u>	<u>204,871</u>
Non-current		
Trade payables	1,906	—
	<u>185,723</u>	<u>204,871</u>

Trade payables

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 3 months	69,367	67,766
3 to 6 months	11,934	3,270
6 to 12 months	105	—
Over 12 months	—	800
	<u>81,406</u>	<u>71,836</u>

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

11 SHARE CAPITAL

		2021		2020	
	<i>Note</i>	<i>No. of shares</i>	<i>RMB'000</i>	<i>No. of shares</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:					
At 1 January		250,000,000	2,168	10,000	—*
Capitalisation issue	(i)	—	—	187,490,000	1,626
Issues of ordinary shares by initial public offering	(ii)	—	—	62,500,000	542
At 31 December		<u>250,000,000</u>	<u>2,168</u>	<u>250,000,000</u>	<u>2,168</u>

* The balance represented number less than RMB1,000.

Notes:

(i) Capitalisation issue

Pursuant to the shareholder's resolution dated 4 September 2020, the Company allotted and issued 187,490,000 shares at a par value of HK\$0.01 to the existing shareholder of the Group. Pursuant to the 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.

(ii) Issue of ordinary shares by initial public offering

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a wind power and pitch control system solution provider in the PRC. We have developed the research and development (“**R&D**”), integration, manufacturing and sale business of high-voltage pitch control systems for wind turbines, wind power generation business and post-wind power market maintenance and operation business. In 2021, the Group developed a new energy storage business to provide smart energy services in wind power, photovoltaic and thermal power.

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. The customers of the pitch control systems have grown from Envision Energy at the beginning to the current quality wind turbine manufacturers such as Zhejiang Windey, Sany Renewable Energy, CRRC Group, Sinovel and Shanghai Electric. The customers of the core components include Guoneng I&C.

In 2021, the Group delivered a total of 1884 sets of pitch control system products, representing an increase in delivery volume of 10.6% from 2020. 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 installed with 13 wind turbines with a total installed capacity of 19.5MW, where we admit electricity generated to the local power grid and sell electricity generated to the local power grid company. We collect on-grid tariff from the local power grid company based on the meter readings at an agreed rate on a monthly basis.

In 2021, the annual utilisation hours of our Duolun Wind Farm were 3099 hours, and the annual total wind power generated and admitted to the power grid was 60.43 million kWh.

The new decentralized distributed wind farm project invested and developed by the Group through Lingqiu County Fengyuan Energy Technology Company Limited* (靈丘縣豐沅能源科技有限公司) (“**Lingqiu County Fengyuan**”) in Lingqiu County, Datong City, Shanxi Province (“**the Lingqiu Project**”) was successfully admitted to power grid on 31 December 2021. After the approval from the Datong Municipal Administrative Examination and Approval Service Bureau* (大同市行政審批服務管理局) on 31 December 2019, the pre-construction formalities and preparations for the Lingqiu Project were carried out proactively. However, the pre-approval reply for land use issued by the Bureau of Natural Resources and Planning of Datong* (大同市規劃和自然資源局) is one of the prerequisites for starting the construction and Lingqiu County Fengyuan only received the pre-approval on 25 September 2021. The construction of the Lingqiu Project started on 25 September 2021 and the Lingqiu Project must be connected to the electrical grid before 31 December 2021 in order to meet the conditions for inclusion in the national subsidy catalogue. Therefore, the construction timeline of the Lingqiu Project was very tight. The Group and our joint venture partner have attempted to seek financing from banks or other third parties, but failed to obtain suitable financing as scheduled. The capital investment was limited and insufficient to finance the Lingqiu Project. Furthermore, if the Lingqiu Project could not be connected to the electrical grid before 31 December 2021, the Lingqiu Project would lose the entitlement to on-grid tariff approved in 2019, hence on-grid price of the wind farm and investment income of the Lingqiu Project would be greatly reduced. In view of the above circumstances, the Group entered into the Equity Purchase Agreement with an independent third party on 16 December 2021, intending to transfer the entire equity interest of the Group in the Lingqiu Project. For further details of the disposal of Lingqiu Project, please refer to the announcement of the Company dated 25 March 2022.

Wind farm operation and maintenance

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

In 2021, the Group’s operation and maintenance team had 59 staff, who were mainly responsible for the provision of operation and maintenance services to the wind farms of Envision Energy situated throughout China.

Energy Storage

In April 2021, the Group established Nature Smart Energy (Shenzhen) Co., Ltd. and set up an office in Shenzhen to establish a research and development team and a sales team, which are mainly engaged in energy storage business including products and solutions, energy storage equipment, energy management system (“**EMS**”), intelligent energy cloud platform and integrated energy simulation and calculation platform.

* for identification purpose only

In 2021, the Group completed the “Nature 3060 Energy Management System (NQEMS)”, which was a breakthrough in energy storage EMS, and realized external sales of the products. In addition, we commenced construction of the “4MW/4MWh wind power storage demonstration project” in Duolun Wind Farm (the “**Duolun Project**”) and intended to complete the commissioning and grid connection in February 2022. The Duolun Project has laid the foundation for the optimization of the Group’s energy storage product system, experience accumulation and business development.

OUTLOOK OF THE GROUP

Development trend in domestic market

As a low-carbon and clean new energy source, wind power is a key component of the “2030 Carbon Peak, 2060 Carbon Neutral” strategic goal, while the growth of the industry is being further driven under the guidance and support of the strategic goal. The growth rate of the wind power industry in the era of full price parity has not slowed down. In the market environment of technology iteration and industry integration, onshore wind power and offshore wind power still maintain a momentum of strong growth in the market.

In July 2021, the National Development and Reform Commission and the National Energy Administration jointly issued the “Guiding Opinions on Accelerating the Promotion of the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》)” which clearly stated the realization of new energy storage from the initial stage of commercialization to the development in scale, with the target of cumulative installed capacity reaching more than 30 million kilowatts by 2025. With the clear national strategic objectives of “dual carbon” and the construction of a new energy-based power system, new energy storage industry is entering into the prime period full of development opportunities.

Development Prospects

The Group will continue to focus on the new energy sector, maintain its domestic market share and leading position in pitch control systems while maintaining the sound performance of its well-developed wind power generation and operation and maintenance business. In parallel, we will actively develop new customers in both the domestic and international markets to increase our market share. In addition, we will strengthen the research and development of energy storage products and gradually enhance our product system, actively develop customer-side energy storage projects and solution designs and carry out extensive cooperation with enterprises in the energy storage industry supply chain to form complementary advantages, with an aim to develop energy storage into another competitive business of the Group as soon as possible.

FINANCIAL POSITION AND OPERATING RESULTS

In 2021, the Group continued to commit in its wind power generation and operation and maintenance business and actively explore the development potential of energy storage, while maintaining sound performance of its main business.

REVENUE

In 2021, the Group recorded a total revenue of approximately RMB312.9 million, representing a decrease of 7.7% from approximately RMB338.9 million in 2020, which was mainly due to the decrease in revenue of the Group's pitch control system related business by adopting an appropriate price reduction strategy to capture larger market share in the pitch control systems business during the reporting period.

	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Pitch control system related integration, manufacturing and sales	257,782	283,847
Wind power generation	22,539	20,258
Wind farm operation and maintenance	32,439	34,790
Energy storage management system	104	0
Total	<u>312,864</u>	<u>338,895</u>

In 2021, revenue generated from the pitch control system business amounted to approximately RMB258 million, representing a decrease of approximately RMB26 million or approximately 9.2% from 2020, which was mainly due to the price reduction strategy adopted by the Group during the reporting period in order to capture larger market share in the pitch control systems business.

In 2021, revenue generated from the wind power generation business amounted to approximately RMB23 million, representing an increase of approximately RMB3 million from 2020, which was mainly due to an increase in power generation attributable to enhanced wind resources at wind farms.

In 2021, revenue generated from wind farm operation and maintenance business amounted to approximately RMB32 million, representing a decrease of approximately RMB3 million or approximately 6.8% from 2020, which was mainly due to the decrease in orders for consumable supplies of our wind farms that provide operation and maintenance services to customers.

The energy storage energy management system is part of the Group's newly developed smart energy business in 2021. The newly established technical team successfully developed the energy management system and achieved a breakthrough in market sales, with revenue of approximately RMB0.1 million in 2021, proving the potential of this business in 2022.

COST OF SALES

In 2021, the Group's cost of sales amounted to approximately RMB267 million, which remained substantially flat with the cost of sales of approximately RMB265 million in 2020.

Among them, the cost of sales of pitch control system business mainly consisted of raw material costs, staff costs and depreciation. The cost of sales of the Group's pitch control system business amounted to approximately RMB234 million, which remained substantially flat with the cost of sales of approximately RMB232 million in 2020.

The cost of sales of wind power generation business mainly included depreciation, staff costs and the maintenance of spare parts and components after the warranty period. In 2021, the cost of sales of wind power generation business amounted to approximately RMB10 million, representing an increase of RMB2 million from the cost of sales of approximately RMB8 million in 2020, which was mainly because the Company bore the cost of repair, maintenance and spare parts and components of the wind farms due to the expiry of the warranty period during the year.

The cost of sales of wind farm operation and maintenance business mainly included raw material costs and staff costs. In 2021, the total cost of sales of wind farm operation and maintenance business amounted to approximately RMB23 million, representing a decrease of approximately RMB2 million from the cost of sales of approximately RMB25 million in 2020, which was mainly due to the decrease in raw material costs as a result of the decrease in revenue from the supply of consumables business.

The cost of sales of energy storage business mainly included raw material costs, staff costs and depreciation. In 2021, the cost of sales of energy storage business amounted to approximately RMB0.1 million.

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2021, the Group's gross profit amounted to approximately RMB46 million, representing a decrease of approximately RMB28 million or 37.8% from the gross profit of approximately RMB74 million in 2020, which was mainly due to the decrease in total revenue. The overall gross profit margin decreased from 21.7% in 2020 to 14.7% in 2021, which was mainly due to the decrease in gross profit margin of pitch control system business.

The gross profit margin of pitch control system business decreased from 18.4% in 2020 to 9.1% in 2021, which was mainly due to the Group's appropriate reduction in product prices to capture a larger market share and the larger increase in raw material prices in 2021.

In 2021, the gross profit margin of wind power generation business was approximately 56.2%, which remained substantially unchanged from the gross profit margin of 58.4% in 2020.

In 2021, the gross profit margin of wind farm operation and maintenance business was approximately 29.7%, which remained substantially unchanged from the gross profit margin of approximately 27.1% in 2020.

In 2021, the gross profit margin of energy storage was approximately 52.9%.

OTHER REVENUE

In 2021, the Group's other revenue amounted to approximately RMB4.7 million, which remained substantially unchanged with the other revenue of approximately RMB5 million in 2020.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by approximately RMB2 million or 50% from approximately RMB4 million in 2020 to approximately RMB6 million in the current year. Such increase was mainly due to stronger sales efforts of the Group to capture larger market share during the reporting period.

ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In 2021, the Group's administrative and other operating expenses amounted to approximately RMB15 million while that for the corresponding period of 2020 amounted to approximately RMB21 million, representing a decrease of approximately of RMB6 million. It was mainly due to the absence of listing expenses during 2021.

FINANCE COSTS

Finance costs mainly represent the interest expenses on bank borrowings and borrowings from third parties. In 2021, the Group's finance costs amounted to approximately RMB4 million, representing a decrease of approximately 33.3% from approximately RMB6 million in 2020, which was mainly due to the repayment of part of the bank borrowings and part of the borrowings from third parties by the Group's subsidiaries.

GEARING RATIO

Gearing ratio is calculated as the Group's total liabilities divided by total assets. In 2021, the Group's gearing ratio was 49%, representing a decrease of 7% from the gearing ratio of 56% in 2020, which was mainly due to the proceeds raised from the repayment of part of the bank borrowings and part of the borrowings from third parties by the Group's subsidiaries.

INCOME TAX EXPENSE

In 2021, the Group's income tax expense amounted to approximately RMB2 million (2020: approximately RMB7 million). The effective tax rate was approximately 9% and 15% for the current year and the previous year, respectively. The decrease in the effective tax rate in the current year was mainly due to the absence of non-deductible listing expenses and the increase in the percentage of additional deductions of research and development expenses.

PROFIT FOR THE YEAR

Based on the above reasons, the Group recorded a net profit of approximately RMB21.3 million in 2021, representing a decrease of approximately RMB19.1 million or 47.3% from the net profit of approximately RMB40.4 million in 2020.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE GROUP

In 2021, profit attributable to the owners of the Group amounted to approximately RMB21 million, representing a decrease of approximately RMB19 million from the profit attributable to the owners of the Group of approximately RMB40 million in 2020.

LIQUIDITY AND CAPITAL SOURCE

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

CASH FLOWS

In 2021, the Group's cash and cash equivalents amounted to approximately RMB40.6 million, representing a decrease of approximately RMB80.8 million or approximately 66.6% from approximately RMB121.4 million in 2020, which was mainly due to the repayment of the bank borrowings and the borrowings from third parties by the Group's subsidiaries and the Group's external investments.

CAPITAL EXPENDITURES

In 2021, the Group's capital expenditures amounted to a total of approximately RMB9.5 million (2020: capital expenditures of RMB1.5 million), which was mainly due to the settlement of retention payables for purchase of generators by the Group's subsidiary.

In addition, in the first half of 2021, Jiangyin Hongyuan New Energy Technology Co., Ltd., a subsidiary of the Group, signed a project agreement with 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 for a possible acquisition, and will bid for the project land. The Group expects to incur an expenditure of approximately RMB6 million for land purchase and approximately RMB15 million for plant construction.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any material contingent liabilities.

PLEDGE OF ASSET

In 2020, the Group's subsidiaries pledged the leasehold lands, motors and other equipment to secure bank loans with a balance of approximately RMB14 million. As at 31 December 2021, the Group's subsidiaries repaid the bank loans. During the year, the Group's subsidiaries were granted new short-term borrowings of RMB5 million, which were secured by the intellectual property rights of the Group's subsidiaries.

HUMAN RESOURCES

The Group opened a new office in Shenzhen for the research and development of components and the establishment of a sales team. As at 31 December 2021, the Group employed a total of 169 employees, all of which entered into labour contracts. 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.

POTENTIAL RISK EXPOSURES

Political uncertainty risk

The wind power industry is strongly policy driven. If there is any change in the supporting policy for the wind power industry, the whole power generation industry chain will be affected, leading to a decrease in the demand and investment in sectors such as pitch control systems, operation and maintenance and energy storage, which in turn may affect the Group's main business and development strategies.

Financial risk

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

Foreign exchange risk

The Group operates primarily in the PRC and most of its operating transactions are denominated in Renminbi. As at 31 December 2021, non-RMB monetary assets are mainly cash and cash equivalents, denominated in Hong Kong dollars or United States dollars. The Group has not entered into any forward foreign exchange contracts to hedge its foreign exchange risk, but management will continue to monitor foreign exchange risk and take prudent measures to reduce foreign exchange risk.

THE IMPACT OF COVID-19

In 2021, the COVID-19 outbreak occurred at different spots and it is expected to continue in the PRC. However, through a series of measures such as strict prevention and control, refined management and active market development, the Group minimized the risk of the pandemic to the Group and did not experience any impact on production, order delivery, corporate operation and finance as a result of the pandemic.

The pandemic situation may continue, but the Group will leverage its experience in addressing the situation and respond to the latest development with a positive attitude. The pandemic is not expected to have a significant impact on the Group's business operations in 2022. Taking into account the worst-case scenario, i.e., the continuous widespread of COVID-19, the Company's own cash flow would be adequate to maintain normal operation of the Company for 12 months. Based on the current operating conditions, it is not necessary to undertake financing to cover the Company's cash flow.

USE OF NET PROCEEDS FROM LISTING

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

As of 31 December 2021, the Group has utilized part of the net proceeds from listing, and unutilized net proceeds have been placed with licensed bank in Hong Kong. As of 31 December 2021, 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 2022, the Company will utilize the net proceeds from listing 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 2021 and the estimated utilization schedule:

Usage stated in the prospectus	Net proceeds from initial public offering <i>(RMB million)</i> <i>(Note 1)</i>	Net proceeds utilized as of 31 December 2021 <i>(RMB million)</i>	Remaining net proceeds available as at 31 December 2021 <i>(RMB million)</i>	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 fulfill the expected purchase volume for Jiangyin Envision pursuant to our binding ten-year framework agreement	17.9	17.9	—	N/A
(2) Diversify our customer base in the pitch control system market by increasing our marketing efforts <i>(Note 2)</i>	3.4	2.1	1.3	1 January 2022 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	—	N/A
(4) Recruit 70 additional service personnel to expand our wind farm operation and maintenance services <i>(Note 3)</i>	3.6	0.24	3.36	1 January 2022 to 30 June 2022
(5) Further strengthen our R&D capabilities to enrich our pitch control systems and solutions offering <i>(Note 4)</i>	10.9	2.0	8.9	1 January 2022 to 31 December 2022

Usage stated in the prospectus	Net proceeds from initial public offering <i>(RMB million)</i> <i>(Note 1)</i>	Net proceeds utilized as of 31 December 2021 <i>(RMB million)</i>	Remaining net proceeds available as at 31 December 2021 <i>(RMB million)</i>	Estimated schedule for full utilization of the remaining net proceeds
(6) Full repayment of a loan due to a third party by our Duolun Wind Farm	21.4	21.4	—	N/A
(7) General working capital	9.6	5.7	3.9	1 January 2022 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 the net proceeds from global offering intended for (1) the investment into the development of a new distributed wind farm in Lingqiu, Datong, Shanxi; and (2) the full repayment of a loan due to a third party by our Duolun Wind Farm, the Company intended to make adjustment for the difference of approximately RMB2.1 million according to the same method and proportion of use of proceeds as disclosed in the section headed “Future plans and use of proceeds” in the prospectus.

Note 2: As at 31 December 2021, due to the COVID-19 pandemic, the Group did not identify any suitable exhibitions for business promotion, and the Company did not participate in any exhibitions during 2021. As at 31 December 2021, the Company entered into prototype procurement agreements with new customers such as Sinovel, CRRC Group, Sany Heavy Energy and Zhejiang Windey, and has used the net proceeds of approximately RMB2.1 million to develop and manufacture 16 sets of prototypes. The Company expects to continue to use the net proceeds to develop and manufacture prototypes according to the prototype procurement orders from new customers and complete prototype delivery according to the requirements of new customers in 2022. As at 31 December 2021, the Group recruited 1 additional sales personnel and the net proceeds of approximately RMB0.05 million have been utilized. The Group expects to continue to recruit additional sales personnel in 2022 to effectively expand its customer base.

Note 3: As at 31 December 2021, 8 operation and maintenance personnel were newly recruited, and the net proceeds of approximately RMB0.24 million have been used to pay salaries. In 2022, the Group will use the net proceeds to continuously recruit appropriate operation and maintenance personnel, and continue to expand operation and maintenance services.

Note 4: As at 31 December 2021, the Group purchased a set of research and development equipment, acquired 1 additional test board, newly recruited 9 core technology personnel, and proceeds of approximately RMB2 million in total have been utilized. Currently, the Group’s technical team and procurement team are still negotiating with suppliers on the acquisition of additional R&D equipment and software. The Company expects to purchase additional R&D equipment and software in 2022 based on the final negotiation results with suppliers.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save for the disposal of interests in a joint venture as disclosed under the paragraph headed “Business Review — Wind Power Generation” and in the announcement of the Company dated 25 March 2022, 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 2021.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “**CG Code**”). To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code (as amended from time to time) during the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

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 2021 and the financial statements for the year ended 31 December 2021 were prepared in accordance with the IFRSs.

SCOPE OF WORK OF AUDITOR

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

ANNUAL GENERAL MEETING

The 2022 annual general meeting of the Company will be held on Monday, 27 June 2022 (the "**2022 AGM**"). Notice of the 2022 AGM will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

From Wednesday, 22 June 2022 to Monday, 27 June 2022 (both days inclusive), during that period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the 2022 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 June 2022 for registration of transfer.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.jyhyn.com and the Stock Exchange's website at www.hkexnews.hk. The annual report for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Cheng Liquan Richard and Mr. Cheng Li Fu Cliff, two non-executive Directors, namely, Mr. Wang Lubin and Mr. Li Hao and three independent non-executive Directors, namely, Mr. Yip Chun On, Mr. Kang Jian and Mr. Li Shusheng.