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

GLOBAL OFFERING

Sole Sponsor

富強金融資本
FORTUNE FINANCIAL CAPITAL

Joint Global Coordinators

安信國際
ESSENCE INTERNATIONAL

富強證券
FORTUNE (HK) SECURITIES

國信證券(香港)
GUOSEN SECURITIES (HK)

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**62,500,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**6,250,000 Shares (subject to reallocation)**
Number of International Placing Shares	:	**56,250,000 Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	:	**Not more than HK$2.60 per Offer Share and expected to be not less than HK$2.00 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**1597**

Sole Sponsor

富強金融資本
FORTUNE FINANCIAL CAPITAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

安信國際 ESSENCE INTERNATIONAL
富強證券 FORTUNE (HK) SECURITIES
國信證券(香港) GUOSEN SECURITIES (HK)

Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International
千里碩 ELSTONE
京基證券集團 KINGKEY SECURITIES GROUP
KOALA Securities Limited 樹熊證券有限公司
山證國際 SHANXI SECURITIES INTERNATIONAL
浦銀國際 SPDB INTERNATIONAL

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 8 October 2020 but in any event not later than Friday, 16 October 2020 or such later date as our Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree. The Offer Price will not be more than HK$2.60 and is currently expected to be not less than HK$2.00. If, for any reason, the final Offer Price is not agreed by Friday, 16 October 2020 between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. Should the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) terminate their obligations under the Hong Kong Underwriting Agreement, the Global Offering will not proceed and will lapse.

29 September 2020

	Date[1]
Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Tuesday, 29 September 2020
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**	11:30 a.m. on Thursday, 8 October 2020
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Thursday, 8 October 2020
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, 8 October 2020
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, 8 October 2020
Application lists of the Hong Kong Public Offering close[3]	12:00 noon on Thursday, 8 October 2020
Expected Price Determination Date[5]	Thursday, 8 October 2020
Announcement of the Offer Price, the levels of indication of interest in the International Placing, the level of applications in respect of the Hong Kong Public Offering and basis of allocation under the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.jyhyne.com**[6] on or before	Monday, 19 October 2020

	Date[1]
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to apply for the Hong Kong Public Offer Shares — 11. Publication of results" from	Monday, 19 October 2020
Results of allocations in the Hong Kong Public Offering to be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment** with a "search by ID" function on	Monday, 19 October 2020
Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7]	Monday, 19 October 2020
Despatch/collection of **White Form** e-Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Hong Kong Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8]	Monday, 19 October 2020
Dealings in the Shares on the Stock Exchange to commence on	Tuesday, 20 October 2020

The application for the Hong Kong Public Offering will commence on Tuesday, 29 September 2020 through Thursday, 8 October 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Monday, 19 October 2020. In addition, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be longer than the normal market practice but in any event not more than eight business days after the Price Determination Date. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, 20 October 2020.

Notes:

(1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in "Structure and conditions of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a "black" rainstorm warning, a tropical cyclone warning signal number eight or above and/or extreme conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 October 2020, the application lists will not open and close on that day. Please see "How to apply for the Hong Kong Public Offer Shares" — "10. Effect of bad weather and/or extreme conditions on the opening of the application lists" in this prospectus. If the application lists do not open and close on Thursday, 8 October 2020, the dates mentioned in "Expected timetable" may be affected. An announcement will be made by us in such event.

(4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to "How to apply for the Hong Kong Public Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Thursday, 8 October 2020 but in any event not later than Friday, 16 October 2020 or such later date as our Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree. If, for any reason, the final Offer Price is not agreed by Friday, 16 October 2020 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on those websites form part of this prospectus.

(7) Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more and have provided all information required on their Application Forms may collect share certificates (if applicable) and refund cheques (if applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 19 October 2020 or any other date as notified by us as the date of despatch of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants' own risk. Further information is set out in "How to apply for the Hong Kong Public Offer Shares" in this prospectus.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of

your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to apply for the Hong Kong Public Offer Shares" in this prospectus.

You should read carefully the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Public Offer Shares" in this prospectus for details relating to the structure and conditions of the Global Offering and how to apply for the Hong Kong Public Offer Shares.

Share certificates are expected to be issued on Monday, 19 October 2020 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respect and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

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This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary" in this prospectus.

OVERVIEW

We are a wind power and pitch control system solution provider in the PRC. 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. Pitch control system is a critical electrical system in a wind turbine for real-time regulation of the wind turbine generator's rotational speed against the changing wind velocity through control of the blade angle for optimal energy capture and minimisation of potential damages against exceedingly high speed winds. 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. In relation to our wind power generation business, (i) while the on-grid price of our existing Duolun Wind Farm is determined based on the year in which grid connection was accomplished and the applicable policies in force when it was developed, we are not able to control the on-grid prices of our new wind farms and (ii) our profitability and business are highly dependent on the relevant government policies and subsidies.

Our established pitch control system and wind power generation businesses enable us to expand our revenue streams and maximise the value of our in-depth industry knowledge, technical expertise and business network. Leveraging our technical expertise as a pitch control system manufacturer, R&D function, as well as our experienced staff with diverse skillsets within the wind power industry, we have been able to extend our business scope to cover (i) 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 (ii) provision of wind energy related consultancy services during the Track Record Period.

The table below sets forth a breakdown of our revenue by segment during the Track Record Period:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Pitch control system related integration, manufacturing and sales										
— Pitch control systems *(Note)*	36,952	64.5	118,787	82.3	153,085	68.7	27,633	74.8	28,712	55.8
— Major components	—	—	—	—	27,289	12.2	113	0.3	6,918	13.4
Sub-total:	36,952	64.5	118,787	82.3	180,374	80.9	27,746	75.1	35,630	69.2
Wind power generation	19,250	33.6	21,384	14.8	20,211	9.1	7,231	19.6	5,841	11.3
Wind farm operation and maintenance										
— Maintenance service	1,112	1.9	4,253	2.9	5,950	2.7	1,959	5.3	1,811	3.5
— Upgrade and modification works	—	—	—	—	4,217	1.9	—	—	500	1.0
— Supply of consumables	—	—	—	—	9,585	4.3	—	—	7,699	15.0
Sub-total:	1,112	1.9	4,253	2.9	19,752	8.9	1,959	5.3	10,011	19.4
Wind energy related consultancy services	—	—	—	—	2,498	1.1	—	—	—	—
Total:	57,314	100.0	144,424	100.0	222,835	100.0	36,936	100.0	51,482	100.0

Note: The relevant revenue for FY2017 includes fees of RMB3.9 million for integration and assembling services of pitch control systems that we offered at the request of customers.

Our revenue increased from RMB57.3 million in FY2017 to RMB144.4 million in FY2018 to RMB222.8 million in FY2019 with CAGR of 97.2%, and increased by 39.4% from approximately RMB36.9 million for 4M2019 to approximately RMB51.5 million for 4M2020, which is primarily because (i) we evolved from offering integration and assembling services to sale of pitch control systems in mid-2017, (ii) there were substantial increases in orders of pitch control systems from our largest customer; (iii) we secured orders for pitch drive controllers (a core component for pitch control systems) from our new customer in 2019; and (iv) of our successful extension of new services to upgrade and modification works under our wind farm operation and maintenance segment.

According to the F&S Report, although electricity generated from coal-fired power is currently the dominant energy source with the largest market share in relation to electricity generation in the PRC, the electricity generation industry in the PRC is shifting towards electricity generated from renewable energy sources with increasing levels of consumption and usage of such electricity. Wind power is a more attractive source of energy and has better prospects going forward in the PRC compared to alternative renewable energy sources since (i) wind power, solar power and nuclear energy are the main energy sources with increasing market share in the electricity generation market in the PRC; (ii) the cost of wind and solar power have experienced the largest downtrend compared to other energy sources over the past 10 years; and (iii) although solar power is currently the only competitive energy source compared to wind power according to the aforementioned reasons, wind power is currently more attractive than solar power because of the longer available operational hours and more efficient energy conversion rate of wind turbines for wind power compared to solar panels for solar power. Please refer to "Industry Overview — Overview of wind power industry in China" for further details.

BUSINESS MODEL

We conduct R&D mainly on high-voltage pitch control systems, conceptualise and realise our design, procure most of the core components and auxiliary raw materials, install our software programme, integrate and assemble to produce customised pitch control systems for our customers. We generally set our prices at cost-plus basis and such prices would vary depending on the proportion of raw materials that we are responsible to purchase. For wind power generation, after the development of our Duolun Wind Farm, we sell electricity to the Local Power Grid Company by admitting our electricity generated from wind power into its local power grid and collect on-grid tariff based on the meter readings at an agreed rate on a monthly basis. During the Track Record Period, the operating data of our Duolun Wind Farm is as follows (please refer to "Business — Our business model — Wind power generation" for further details):

	As at 31 December/FY			As at 30 April/4M	
	2017	2018	2019	2019	2020
Total utilisation hours (hours):	2,696	2,960	2,861	1,092	860
Total wind power generated (GWh):	52.6	57.7	55.8	21.3	16.8

In relation to the pricing of the electricity generated from our wind power projects, (i) on-grid prices of our wind farms are beyond the Company's control since they are determined based on (a) the year in which a wind farm is approved by the relevant government authorities or has accomplished grid connection and (b) the applicable policies in force when a wind farm is developed; and (ii) the profitability and business of our wind farm operations are highly dependent on the relevant government policies and subsidies. Please refer to "Business — Sales and our customers — Pricing policy" for further details. For details and business models for our newly extended services and products, please refer to "Business — Business model" in this prospectus.

IMPACT OF THE NOTICE ON IMPROVING THE POLICY ON ON-GRID PRICES FOR WIND POWER

According to the Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》) issued in May 2019 with an effective date in July 2019, the Chinese Government proposed that in order to scientifically and reasonably guide investments in renewable energy and promote the healthy and sustainable development of the wind power industry, government subsidy on onshore wind power would be phased out. This expected to cause significant fluctuations in the sales value of pitch control systems in the PRC between 2019 and 2023 since (i) the sales value of wind turbines is estimated to rise between 2019 and 2021 due to the projected great demand for wind turbines; and (ii) the wind turbine market size in the PRC is expected to decline for a short period of time between 2021 and 2023 as government subsidies on onshore wind power projects would be phased out after 2021, resulting in a CAGR of 1.4% from 2019 to 2023 as a whole. Please refer to "Industry Overview — Overview of wind power pitch control system market in China — Market size of wind power pitch control system market in China" for further details.

As a result, the Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》) may have an adverse material impact on the demand for pitch control systems in the PRC as well as our Group's revenue and profitability going forward and in particular after 2021. Please refer to "Risk Factors — Risks relating to our business — The Notice on Improving the Policy on On-grid Prices for Wind Power may have a negative impact on the wind power industry and our income from government subsidies on wind power projects in the PRC, which may materially and adversely affect our business operations." for further details.

However, based on (i) the sufficient long-term and sustainable market demand in the wind power industry in the PRC according to the F&S Report due to various factors such as (a) continuous demand in wind power industry and support from the PRC Government and (b) evolution of the wind power industry in the PRC into a sustainable and viable market; and (ii) our Group's plan to develop the two distributed wind farms in Datong of Shanxi Province not being materially impacted by the Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》), our Directors are of the view that the notice will not have a material impact on our Group's business in the short-run and long-run. Please refer to "Industry Overview — Overview of wind power industry in China" and "Business — Business strategies — Diversification of our customer base — B. Wind power generation business" for further details.

PRODUCTION PLANT

We have a production plant situated at Jiangyin City, Jiangsu Province equipped with four quality testing machines in our streamlined production line with annual capacity of 2,408 sets of pitch control systems, as at the Latest Practicable Date. For further details on our production capacity and utilisation rates, please refer to "Business — Production — Production capacity and utilisation" in this prospectus.

MAJOR CUSTOMERS

Our major customers mainly comprise of wind turbine manufacturers and local power grid company in Inner Mongolia. Our largest customer, Envision Group, is a well-established global wind turbine supplier and wind farm operator, with regional offices across Asia, Europe, North and South Americas. According to the F&S Report, Envision Group is one of the largest wind turbine manufacturer in the PRC and the world and ranked second and fifth, respectively, in terms of newly installed capacity with market share of 19.8% and 8.4%, respectively, in 2018. Envision Group refers to four of the group companies of Envision Energy Co., Ltd.* (遠景能源有限公司), which is a company established in 2008 under the laws of the PRC with registered capital of USD165 million, approximately 5,000 employees worldwide and is primarily engaged in R&D and manufacture of intelligent wind turbines, consultation service for intelligent wind farm and provision of intelligent power storage solutions. Shanghai Electric is our another major customer. It is an indirectly owned subsidiary of Shanghai Electric Group who is a large scale equipment manufacturing group whose product portfolio covers energy generators for different types of energy such as wind turbines, and was ranked fifth in terms of newly installed capacity in the PRC in 2018, according to the F&S Report. We had three, two, seven and five customers for FY2017, FY2018, FY2019 and 4M2020, respectively. The revenue attributed to our largest customer, Envision Group, amounted to RMB36.1 million, RMB123.0 million, RMB168.7 million and RMB38.1 million for each of FY2017, FY2018, FY2019 and 4M2020, which accounted for 62.9%, 85.2%, 75.7% and 74.1% of our total revenue for the corresponding periods, respectively. The revenue attributed to our top three, two, five and five customers amounted to RMB57.3 million, RMB144.4 million, RMB222.8 million and RMB51.5 million, for FY2017, FY2018, FY2019 and 4M2020 respectively, accounted for 100.0%, 100.0%, 99.99% and 100.0% of our total revenue for the corresponding periods, respectively. For further details, please see "Business — Sales and our customers — Major customers" in this prospectus.

Our Directors consider that we are experiencing customer concentration because the pitch control system manufacturing market in the PRC is highly concentrated since, according to the F&S Report, (i) customers of pitch control system manufacturers, which are wind turbine manufacturers, are increasingly concentrated in the PRC and the limited number of wind turbine manufacturers led to the limited choice of pitch control system manufacturers to expand their business to different customers; (ii) wind turbine manufacturers are generally unwilling to choose multiple suppliers due to the need for wind turbine manufacturers to share confidential technical parameters to pitch control system manufacturers during their cooperation in order to customise their products; and (iii) wind turbine manufacturers prefer to build long-term and stable relationships with pitch control system manufacturers due to the limited choice of pitch control system manufacturers that meet their scale, standards and technical requirements (for further details, please refer to "Business — Market and competition" in this prospectus). Our Directors are also of the view that our customer concentration is attributable to our Group's ability to maintain a stable relationship with Envision Group, our largest customer during the Track Record Period.

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 revenue driver in wind power generation business; and (iv) diversification of our revenue streams. For further details, please see "Business — Sales and our customers — Customer concentration" in this prospectus.

RAW MATERIALS AND MAJOR SUPPLIERS

Our major suppliers include (i) manufacturers and suppliers of core components for pitch control systems such as pitch drive controllers, pitch motors, ultracapacitors and (ii) subsidiaries of the Local Power Grid Company who offer maintenance service for our electric circuit and telecommunication network with the local power grid company for our Duolun Wind Farm.

During the Track Record Period, our raw material purchases from our largest supplier, KEB Shanghai, amounted to RMB0.4 million, RMB85.4 million, RMB119.5 million and RMB44.8 million for each of FY2017, FY2018, FY2019 and 4M2020, representing 2.0%, 98.5%, 84.5% and 85.1% of our total purchases for the corresponding periods, respectively. KEB Shanghai is a wholly-owned subsidiary of Brinkmann Holding GMBH, a company founded in 1972 and headquartered in Germany with nearly 1500 employees worldwide who is principally engaged in the development, sale and manufacturing of engineering systems, including pitch drive controllers and pitch motors. According to the F&S Report, as one of the pioneers in the field of electronic drive control and mechanical transmission in Europe, KEB Group achieved sales of EUR260 million in 2018 and accounted for 26.9% of total sales volume in pitch control system drive market in China. Having five modern manufacturing bases and 10 wholly-owned subsidiaries worldwide, KEB Group supplies competitive and standardised products and services to 23 countries. The purchase from our five largest suppliers amounted to RMB22.1 million, RMB86.6 million, RMB140.9 million and RMB52.2 million for each of FY2017, FY2018, FY2019 and 4M2020, representing 100.0%, 99.7%, 99.6% and 99.1% of our total purchase for the corresponding periods, respectively. For further details, please see "Business — Raw materials and suppliers" in this prospectus. Despite our supplier concentration, our Directors are of the view that we are capable of sustaining our business and sales in the future. We designate KEB Shanghai as our primary supplier of pitch drive controllers and pitch motors for the following reasons: (i) KEB Group is well-recognised as a supplier of high-quality core components with advanced technologies and concrete application capabilities; (ii) KEB Shanghai maintains a reliable supply of raw materials and components for high-voltage pitch control systems which allows us to readily undergo procurement to develop and manufacture our pitch control systems; (iii) a stable business relationship has been established between KEB Shanghai as further elaborated below and we share a mutual business goal of developing and enhancing the application of high-voltage pitch control system solutions in the PRC wind power market; and (iv) throughout our strategic cooperation we have not encountered any business conflicts and substantial difficulties with KEB Shanghai.

We believe that our business is sustainable despite our reliance on KEB Group because of (i) the mutually beneficial and complementary relationship between KEB Group and us; and (ii) the availability of alternative suppliers. For further details, please refer to "Business — Raw materials and suppliers — Supplier concentration" in this prospectus.

RESEARCH AND DEVELOPMENT

Our R&D function covers various aspects of pitch control systems, such as the overall design and functionality of pitch control systems, hardware and software development, enhancement of the efficiency of the production process, hardware and software designs and streamlining of the production line. With our R&D effort, we owned more than 25 patents and had 15 patents under application, as well as 10 software copyrights, relating to pitch control systems and wind energy related inventions and designs as at the Latest Practicable Date. During the Track Record Period, the total R&D expenses amounted to RMB2.1 million, RMB5.4 million, RMB5.4 million and RMB2.3 million for each of FY2017, FY2018, FY2019 and 4M2020, respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to achieve a competitive position in the wind power solutions and the pitch control systems markets in the PRC and differentiated us from our competitors:

- A top five pitch control system supplier in the PRC;
- Established stable relationship with upstream and downstream of the value chain;
- R&D and design capabilities;
- Strong production capabilities with comprehensive quality assurance; and
- Experienced, stable and dedicated management team.

BUSINESS STRATEGIES

We aim to achieve sustainable growth and further strengthen our market position in the pitch control system related manufacturing and sales business, expand our wind power generation business and continue to diversify and expand our wind power related services offerings, in order to maintain and increase long-term shareholder value and create maximum customer value. To achieve this, we will continue to actively seek for business opportunities within the wind power industry by implementing the following business strategies:

- Maintain and enhance our market position in pitch control system market to increase market share in the PRC;
- Diversification of our customer base, including our pitch control system related business, wind power generation business, and operation and maintenance services; and
- Further strengthen our R&D capabilities to enrich our solutions offering.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Hongyuan BVI will effectively hold as to approximately 75.0% of the total issued share capital of the Company. Hongyuan BVI is directly wholly owned by Mr. Richard Cheng. As a result, Mr. Richard Cheng and Hongyuan BVI will be our Controlling Shareholders collectively and beneficially interested in aggregate approximately 75.0% of our issued share capital. For further details, please refer to "History, development and Reorganisation" and "Relationship with our Controlling Shareholders" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION

Key information from consolidated statements of profit or loss and other comprehensive income

The following table summarises the consolidated statement of profit or loss and other comprehensive income during the Track Record Period, details of which are set out in the "Accountants' Report" in Appendix I to this prospectus.

	FY2017	FY2018	FY2019	4M2019	4M2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	57,314	144,424	222,835	36,936	51,482
Cost of sales(1)	(38,443)	(99,921)	(156,438)	(24,811)	(38,087)
Gross profit	18,871	44,503	66,397	12,125	13,395
Selling and distribution expenses	(1,291)	(2,171)	(2,598)	(1,309)	(1,037)
Administrative and other operating expenses(2)	(1,804)	(3,642)	(7,707)	(634)	(6,935)
Net finance costs	(7,115)	(7,650)	(6,817)	(2,298)	(1,899)
Profit before tax	8,988	31,423	49,570	7,965	5,450
Income tax	(1,289)	(3,548)	(6,881)	(898)	(1,214)
Profit of the year/period attributable to:					
— Equity shareholders of the Company	6,401	26,843	42,545	6,977	4,209
— Non-controlling interests	1,298	1,032	144	90	27
	7,699	27,875	42,689	7,067	4,236
Total comprehensive income for the year/period	7,863	27,686	42,450	7,067	4,211

Notes:

1. Cost of sales mainly included material costs of RMB25.3 million, RMB82.0 million, RMB138.3 million and RMB32.8 million for the Track Record Period, respectively.

2. Listing expenses of RMB4.9 million and RMB5.7 million was included in "Administrative and other operating expenses" for FY2019 and 4M2020, respectively.

The following table sets out the breakdown of our revenue by segment during the Track Record Period:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Pitch control system related integration, manufacturing and sales	36,952	64.5	118,787	82.3	180,374	80.9	27,746	75.1	35,630	69.2
Wind power generation	19,250	33.6	21,384	14.8	20,211	9.1	7,231	19.6	5,841	11.3
Wind farm operation and maintenance	1,112	1.9	4,253	2.9	19,752	8.9	1,959	5.3	10,011	19.4
Wind energy related consultancy services	—	—	—	—	2,498	1.1	—	—	—	—
Total revenue	57,314	100.0	144,424	100.0	222,835	100.0	36,936	100.0	51,482	100.0

During the Track Record Period, there was an overall increasing trend of our revenue, driven by revenue from pitch control system related integration, manufacturing and sales, primarily due to the increase in sales of pitch control systems of different power levels.

The following table sets out the breakdown of sales of pitch control systems by different rated power levels during the Track Record Period:

	FY2017			FY2018			FY2019			4M2019			4M2020		
Rated power level of pitch control systems we manufactured	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
MW	*RMB'000*	*Sets*	*RMB'000*	*RMB'000*	*Sets*	*RMB'000*	*RMB'000*	*Sets*	*RMB'000*	*RMB'000* (Unaudited)	*Sets*	*RMB'000*	*RMB'000*	*Sets*	*RMB'000*
2.X	29,920	243	123	104,060	913	114	129,031	1,005	128	23,051	214	108	27,272	262	104
3.X	146	1	146	2,105	18	117	8,450	76	111	1,332	12	111	—	—	—
4.X	3,023	21	144	12,622	96	131	15,604	125	125	3,250	26	125	1,440	12	120
Total	33,089	265	125	118,787	1,027	116	153,085	1,206	127	27,633	252	110	28,712	274	105

Note: The above figures for FY2017 excludes fees of RMB3.9 million for integration and assembling services of pitch control systems that we offered at the request of customers.

Our revenue from pitch control system related integration, manufacturing and sales increased by 221.5% from RMB37.0 million for FY2017 to RMB118.8 million for FY2018, mainly due to: (a) the increase in quantity of pitch control systems of different power levels, driven by our effort in maintaining a mutually beneficial relationship with our largest customer, Envision Group and enlarging the amount of pitch control systems procured by them; which was partially offset by (b) the decrease in overall ASP of pitch control systems mainly because of competitive pricing we offered.

Our revenue from pitch control system related integration, manufacturing and sales increased further to RMB180.4 million for FY2019, mainly due to the combined effect of (i) the increase in revenue from pitch control systems to Envision Group and (ii) sales of customised pitch drive controllers to new customer, Shanghai Electric.

Our revenue from pitch control system related integration, manufacturing and sales increased by 28.4% from RMB27.7 million for 4M2019 to approximately RMB35.6 million for 4M2020, mainly due to (i) the increase in revenue from pitch control systems to Envision Group and (ii) continuous increase in sales of customised pitch drive controllers to Shanghai Electric and Zhejiang Windey.

The following table sets forth a breakdown of gross profit and gross profit margin of our Group by segmentation for the periods indicated:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Pitch control system related integration, manufacturing and sales	7,615	20.6	30,248	25.5	45,861	25.4	6,991	25.2	7,194	20.2
Wind power generation	11,155	57.9	13,160	61.5	12,055	59.6	4,449	61.5	3,316	56.8
Wind farm operation and maintenance	101	9.1	1,095	25.7	6,321	32.0	685	35.0	2,885	28.8
Wind energy related consultancy services	—	N/A	—	N/A	2,160	86.5	—	N/A	—	N/A
Total/Overall	18,871	32.9	44,503	30.8	66,397	29.8	12,125	32.8	13,395	26.0

Our gross profit from pitch control system related integration, manufacturing and sales increased in line with its revenue generated, which increased from RMB7.6 million for FY2017 to RMB30.2 million for FY2018 and RMB45.9 million for FY2019, leading to the increase in our total gross profit for the Track Record Period. As for its gross profit margin, it increased from 20.6% for FY2017 to 25.5% for FY2018, mainly because (i) part of the integration and assembling services rendered in FY2017 entailed relatively lower gross profit margin; and (ii) we have successfully lowered the costs of procuring major components for our pitch control system production due to the economies of scale, and then remained stable at 25.4% for FY2019. Our gross profit margin from pitch control system related integration, manufacturing and sales decreased to 20.2% for 4M2020, mainly due to (i) the increase in revenue contribution from major components, which entailed relatively lower gross profit margin as compared to those of pitch control systems; (ii) the time delay in the adjustment of our costs of procuring major components following the decrease in our average selling price of some products, which resulted in a temporary increase in material costs for production; and (iii) the increase in staff costs resulting from additional employees in 4M2020.

During 4M2020, our gross profit from wind farm operation and maintenance increased in line with its revenue generated, which increased from RMB0.7 million for 4M2019 to RMB2.9 million for 4M2020, that drove the increase in our total gross profit for 4M2020. As for its gross profit margin, it decreased to 28.8% for 4M2020 as compared to 35.0% for 4M2019, mainly because of the increase in contribution from supply of consumables in 4M2020, entailed relatively lower gross profit margin. Nevertheless, since wind power generation entailed relatively higher gross profit margin than those of pitch control system related integration, manufacturing and sales and wind farm operation and maintenance and was relatively stable, the increase in contribution from other segments entailing relatively lower gross profit margin led to the decrease in our overall gross profit margin during the Track Record Period.

During the three years ended FY2019, as there was (i) substantial growth in our gross profit and (ii) other cost elements, including selling and distribution expenses, administrative and other operating expenses and net finance costs, being under control, we recorded significant increase in our net profit for the respective years, which amounted to RMB7.7 million, RMB27.9 million and RMB42.7 million, respectively, representing a CAGR of 135.5% over the three years ended FY2019.

Our net profit for the period decreased by RMB2.8 million or 40.1% from RMB7.1 million for 4M2019 to RMB4.2 million for 4M2020, primarily driven by listing expense being recorded for 4M2020 of approximately RMB5.7 million, being partially offset by the increase in gross profit as discussed above and VAT refund recorded for 4M2020, while our net profit margin decreased from 19.1% for 4M2019 to 8.2% for 4M2020. For details of VAT refund, please refer to "Financial Information — Description of selected items in the consolidated statements of profit or loss — Other revenue" in this prospectus.

Key information from consolidated statements of financial position

The following table sets out our consolidated statements of financial position as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	111,975	107,878	101,917	99,847
Current assets	84,016	132,312	201,269	217,782
Current liabilities	98,994	152,127	176,330	186,565
Net current (liabilities)/assets	(14,978)	(19,815)	24,939	31,217
Total equity	26,901	31,041	105,642	109,853
— Non-controlling interests	10,842	1,180	1,724	1,751
Non-current liabilities	70,096	57,022	21,214	21,211

There was improvement in our net current assets/liabilities position during the Track Record Period. As at 31 December 2017 and 2018, we had net current liabilities of RMB15.0 million and RMB19.8 million, respectively. Such change was primarily due to (i) the increase in current portion of trade and other payables of RMB17.2 million, which mainly consisted of (a) the increase in dividends payable to shareholders of subsidiaries and (b) increase in payable for deemed dividends to controlling shareholder, and (ii) the increase in bank borrowings and other loans of RMB34.5 million, which mainly consisted of loans due to related parties and third parties to support our expansion, being partially offset by (iii) the increase in trade and bills receivables of RMB48.6 million, in line with revenue growth of the same period. As at 31 December 2019, we recorded net current assets of RMB24.9

million, primarily because of (i) the increase in trade and bills receivables of RMB24.1 million, in line with revenue growth of the same period, (ii) the increase in cash and cash equivalents of RMB33.4 million, which were in line with expansion of our business scale, (iii) loans due to related parties being waived of RMB31.8 million, being partially offset by (iv) the increase in current portion of bank borrowings of RMB14.9 million. Our net current assets increased to RMB31.2 million as at 30 April 2020, mainly due to (i) the increase in inventories of RMB19.9 million, (ii) the increase in pledged deposits of RMB5.1 million and (iii) repayment of bank loans and other borrowings of RMB4.9 million, which was partially offset by (iv) increase in trade and other payables of RMB18.6 million and (v) the decrease in trade and other receivables of RMB9.3 million.

Net assets increased from RMB26.9 million as at 31 December 2017 to RMB31.0 million as at 31 December 2018, primarily attributable to (a) accumulation of profit for FY2018, being partially offset by (b) the appropriation of dividends to shareholders of subsidiaries, (c) acquisition of non-controlling interests and appropriation of deemed dividends to controlling shareholder of the same period. Net assets increased to RMB105.6 million as at 31 December 2019, primarily due to (i) accumulation of profit for FY2019 and (ii) the increase in other reserve because of loans waived by controlling shareholder. Our net assets remained relatively stable at RMB109.9 million as at 30 April 2020.

Key information from consolidated statements of cash flow

The following table summarises, for the periods indicated, our consolidated statements of cash flows:

	FY2017	FY2018	FY2019	4M2019	4M2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
— Operating cash flows before working capital changes	22,381	45,834	63,287	12,220	9,582
— Changes in working capital	(28,134)	(54,105)	5,553	(7,313)	2,619
— Income tax paid	(15)	(2,416)	(5,423)	(3,431)	(4,692)
Net cash (used in)/generated from operating activities	(5,768)	(10,687)	52,311	1,476	7,509
Net cash used in investing activities	(48,935)	(3,741)	(1,115)	(82)	(474)
Net cash generated from/(used in) financing activities	54,543	14,565	(17,766)	10,426	(6,160)
Net (decrease)/increase in cash and cash equivalents	(160)	137	33,430	11,820	875
Cash and cash equivalents at beginning of year/period	2,225	2,065	2,202	2,202	35,632
Cash and cash equivalents at end of the year/period	2,065	2,202	35,632	14,022	36,507

During the Track Record Period, our credit period for payment to our supplier is generally shorter than we offered to customers and thus, our cash inflow and outflow maybe mismatched. In particular, the tariff premium of our wind power generation business involve settlement from various parties, including the Local Power Grid Company and the Inner Mongolia Finance Department, which were beyond our control. Despite we recorded substantial growth in business during the Track Record Period, such cash flow mismatch may lead to cash outflow of operating activities.

A net cash outflow of operating activities was recorded for FY2017, primarily attributable to the increase in trade and other receivables of RMB49.9 million, being partially offset by increase in trade and other payables of RMB23.7 million. A net cash outflow of operating activities was recorded for FY2018, primarily attributable to the increase in trade and other receivables of RMB45.0 million. We have formulated measures to improve our liquidity position in view of our working capital requirement for business operation and we believe that we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus. For discussions of our working capital position, see "Financial information — Net current assets/liabilities — Working capital" in this prospectus.

Key financial ratios

The following table sets out our key financial ratios as at each of the dates indicated:

	As at 31 December/FY			As at 30 April/4M
	2017	**2018**	**2019**	**2020**
Gross profit margin (%)	32.9	30.8	29.8	26.0
Net profit margin (%)	13.4	19.3	19.2	8.2
Return on equity (%)(1)	33.5	96.2	62.5	N/A
Return on total assets (%)(2)	4.5	12.8	15.7	N/A
Interest coverage (times)	2.3	5.1	8.3	4.0
Current ratio (times)	0.8	0.9	1.1	1.2
Quick ratio (times)	0.8	0.8	1.1	1.0
Gearing ratio (%)(3)	425.0	437.3	89.2	81.2
Net debt to equity ratio (%)	417.3	430.2	55.5	48.0

Notes:

(1) We recorded higher return on equity for FY2018, mainly due to significant increase in profit for FY2018, which outweighed the increase in our equity bases of the same period because of the appropriation of dividends to shareholders of subsidiaries, acquisition of non-controlling interests and appropriation of deemed dividends to controlling shareholder.

(2) We recorded increasing trend of return on total assets for the three years ended FY2019, primarily due to significant increase in profit for the respective periods outweighing the increase in total assets as at respective dates.

(3) Our gearing ratio decreased to 89.2% for FY2019, mainly due to the combined effect of the decrease in total debts because of (i) waiver of loans due to related parties and (ii) gradual repayment of bank loans and the increase in total equity driven by accumulation of profit and the increase in other reserve because of loans waived by controlling shareholder.

For details of the calculation basis, see "Financial information — Key financial ratios" in this prospectus.

LISTING EXPENSES

Assuming the Offer Price of HK$2.30 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this document, the total amount of expenses in relation to the Listing including the underwriting commission and other Listing expenses and fees are estimated to be approximately RMB28.9 million which shall be borne by our Company, which are estimated to be 22.4% to the gross proceeds from the Global Offering. For FY2019 and 4M2020, we incurred listing expenses of approximately RMB4.9 million and RMB5.7 million, respectively. It is estimated that approximately RMB7.1 million will be charged to our Group's profit and loss for the remaining eight months ending 31 December 2020, and approximately RMB7.4 million is estimated to be directly attributable to the issue of the new Shares and is to be accounted for as a deduction from the equity in accordance with the relevant accounting standard after Listing. We expect that the Listing expenses may have a negative impact on our results of operation.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Our revenue for the seven months ended 31 July 2020 increased by about 75.9% as compared to the corresponding period in FY2019, which is primarily due to the combined effects of (i) the increase of sales in pitch control systems segment including (a) the increase of sales for pitch control systems to our largest customer, Envision Group; (b) the significant increase of sales of pitch drive controllers for the seven months ended 31 July 2020 to Shanghai Electric as compared with the corresponding periods in the previous year; (ii) the increase in sale of electricity to the Local Power Grid Company from 21 March 2020 to 20 July 2020, which set off the decrease in such sale from 21 January 2020 to 20 March 2020 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 due to the outbreak of COVID-19, as detailed in "Recent outbreak of COVID-19" in this section below.

In terms of costs structure, during the Track Record Period, we were generally responsible for procuring major components including pitch driver controllers, pitch motors and auxiliary raw materials such as electric reactors and connective wires, which represented about 50% of the costs of raw materials for a full set of pitch control systems, whereas the remaining raw materials were ordered by our customers. During August to December 2019, we extended to include ultracapacitor (another core component for pitch control system, which represents about 25% to 30% of the costs of raw materials for a full set of pitch control systems) in the list of raw materials to be procured from our end for orders placed by our largest customer, which resulted in a decrease in gross profit margin by 4.4 percentage points. To further extend our tailored services to our largest customer, we may agree to source higher proportion or all raw materials from our end for orders to be placed by it. Such an arrangement may increase the procurement cost for raw materials by at least 50% for each set of pitch control system, thus increasing our average inventory level and in turn increase our inventory risk. As our credit term for payment to our supplier is generally shorter than the credit term we offered to our customers, by taking into account (i) the time period for production and delivery of our pitch control systems; (ii) the credit term for payment to our suppliers; and (iii) the actual collection time period for receivables from our customers, our Directors estimate that the additional procurement cost due to the higher proportion of raw materials to be sourced from our end may be exposed to a temporary mismatch in cash inflow and outflow of approximately 120 to 180 days, which may increase our liquidity risk. Although there may be a temporary cash flow pressure and an increase in inventory level due to the increase of raw material purchases and the gross profit margin for pitch control system business may decrease, after taking into account the expected increase in selling price and gross profit, we consider the arrangement would be beneficial to our business and financial performance as a whole. Parties are in the course of negotiation of detailed terms and expect to start the relevant arrangements in the second half year of 2020.

There were a number of wind power industry related notices issued and policies launched subsequent to 31 December 2019. For possible impacts that may be brought to the industry by these notices and policies, please see "Industry Overview — Regulations and Policies of Wind Turbines and Pitch Control System Market in the PRC" in this prospectus. Among which, as a result of issue of the Notice on 2020 Wind Power Investment Monitoring and Warning Results (2020 年度風電投資監測預警結果) issued by NEA in March 2020, the approval of our wind farm project in Yungang District has been temporarily suspended. We have not obtained the project approval for the Yungang District wind farm as at the Latest Practicable Date. Based on the best information and knowledge of our Directors, it is expected that the project approval for the Yungang District wind farm will be obtained by April 2021. However, if the approval for wind farm project in Yungang District is not approved by April 2021, we will divert our available internal funding to investment in other wind farm. For details, please see "Business — Business strategies — B. Wind power generation business" in this prospectus.

Our Directors confirm that, save for the estimated expenses in relation to the Listing discussed above, there had been no material change in our financial or trading position or prospects since 30 April 2020 up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely since 30 April 2020 up to the date of this prospectus.

RECENT OUTBREAK OF COVID-19

(i) Overall impact

Since late 2019 and up to the Latest Practicable Date, 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 hygiene and preventive measures against the outbreak of COVID-19 and (ii) received permission to resume business operations upon the inspection by the prevention and control team of the Jiangyin Municipal People's Government* (江陰市人民政府), we have resumed our business operations on 13 February 2020.

In terms of geographical location, Jiangyin City of Jiangsu Province, the city where our production base is located in, has been classified by the Jiangsu Provincial Health Commission (江蘇省衛生健康委員會) as a low-risk area of COVID-19 as at the Latest Practicable Date. The infection and death rates of COVID-19 in the Jiangsu Province are also in the lower end, as compared with other provinces in the PRC. According to the Jiangsu Provincial Health Commission, as at the Latest Practicable Date, there were 631 COVID-19 diagnosed local cases, 34 imported cases and no deaths reported in the Jiangsu Province. As such, our business operations have not been materially affected by COVID-19.

(ii) 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 have 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, to the best information and knowledge of our Directors as of the Latest Practicable Date, there is no other specific financial impact of COVID-19 on our Group.

(iii) Our customers

We have consulted our major customers, including Envision Group and Shanghai Electric, regarding the impact of the recent outbreak of COVID-19 to their businesses. The relevant customers have informed us that our business relationships with them will not be materially affected despite the outbreak of COVID-19.

Our Directors confirm that none of our major customers are located in Hubei Province and other regions where severe outbreak of COVID-19 have occurred. The major customers of our Group (in terms of revenue) are companies which have strong financial standing and, to the best knowledge of our Directors after making reasonable enquiries, are unlikely to close down or become unable to sustain through the outbreak of COVID-19. There is also no indication that their ability to pay contract sums for their purchase orders has been materially adversely affected. As such, our Directors are of the view that our revenue will not be severely affected as a result of the outbreak of COVID-19.

Nevertheless, we anticipate that the revenue generated from our wind power generation business may decrease due to the outbreak of COVID-19. Our Directors expect that our revenue from such business segment will slightly decrease in the financial year ending 31 December 2020 compared to in FY2019.

(iv) Our supply chain

We have consulted a number of our major suppliers including KEB Shanghai regarding the impact of the recent outbreak of COVID-19 to their business. Save for the change in delivery method of certain raw materials and components by KEB Shanghai to us from air freight to shipping due to the impact on air freight logistics of the COVID-19 causing a minor delay of such supplies, which had been resolved by the end of March 2020, the relevant suppliers have informed us that they are confident in the stable and normal supply of raw material/services to us. They have informed our Group that they will still be able to fulfil their obligations under their respective contracts with our Group. Also, we have required them to inform us in advance to give us sufficient time to make alternative arrangements should the circumstance change and if they encounter any difficulty. As such, our Directors consider that we shall not encounter any major difficulties caused by the outbreak of COVID-19 regarding our supply chain.

(v) Our obligations under our existing contracts

As at the Latest Practicable Date, (i) we have resumed the production process; and (ii) we had not received any notice from our customers that we were or would be subject to any penalties for delay in delivering our products and services due to the outbreak of COVID-19. Therefore, our Directors consider that we are able to discharge our obligations under our existing contracts.

(vi) Our staff

To the best knowledge of our Directors after making reasonable enquiries, as at the Latest Practicable Date, none of our employees including our Directors or senior management have been confirmed to be infected by COVID-19. As at the Latest Practicable Date, all of our staff had resumed work. Therefore, our Directors consider that there is no material disruption to the day-to-day business operations of our Group.

(vii) Our hygiene and preventive measures

To prevent and limit any spread of the COVID-19 and to promote good hygiene, our Group has implemented preventive measures, including (i) sanitising our offices and production facilities regularly; (ii) mandatory temperature checks for all employees and visitors at our offices and production facilities; (iii) requiring our employees to complete health form and report any symptoms to their seniors; (iv) implementing work-from-home arrangements under certain circumstances; (v) requiring employees which are at risk of contracting COVID-19 to undergo quarantine; (vi) distributing additional protective gear to avoid unnecessary health risks and (vii) arranging additional health and safety training sessions for our employees. As at the Latest Practicable Date, we have incurred approximately RMB30,000 for the above hygiene and preventive measures.

Despite our Directors considering that the abovementioned measures are able to counteract the potential impacts of the outbreak of COVID-19 on our business operations, our Directors will continue to closely monitor our business and operations. However, there is no assurance that the outbreak of COVID-19 and the impact thereof will not continue. If such outbreak continues, we may be required to implement additional measures to minimise its potential impacts on our business operations. For example, we may (i) commence negotiations with our suppliers to prepare the necessary raw materials, components and parts in advance for our business operations; (ii) discuss with our clients in relation to payment and delivery arrangements; and (iii) continue our existing internal hygiene and preventive measures.

During the Track Record Period, we do not have any customers from Hubei Province. However, there is no assurance that there will not be any other cities subject to quarantine measures in the future and adopting such measures may restrict us from receiving purchase orders which may have good profitability and thus, our financial performance may be adversely affected. Our Directors believe the abovementioned preventive measures are adequate and sufficient in light of the current circumstances.

(viii) Use of proceeds

After considering our continuous risk management measures as mentioned above, our Directors believe that it is unlikely for our Group to change the usage and purpose of the net proceeds from the Global Offering for other purposes. Our Directors will closely monitor the impact of COVID-19 on our business operations to ensure our cash flow sufficiency and use of net proceeds from the Global Offering as disclosed in this prospectus.

(ix) Future prospects

The outbreak of COVID-19 is expected to adversely affect the entire economy of the PRC. However, recent media reports have indicated that there has been falling infection numbers in the PRC. Work resumptions are already underway. Therefore, the outbreak of COVID-19, by itself, is an “exceptional circumstance” and its effect is considered to be short term.

Previously, according to the F&S Report, when natural disasters, epidemics or pandemics were over, the PRC Government would generally make greater investments in the PRC economy, with a view to encouraging economic stability and growth. If the PRC Government continues to adopt such policy, our Directors believe that we will be able to restore and improve upon our business operations and financial performance prior to the outbreak of COVID-19.

Our Directors believe that (i) the possible delay in revenue recognition is not expected to result in recurrent losses or fundamental deterioration of the commercial or operational viability of our Group; and (ii) it will not adversely affect our Group's sustainability.

Taking into account the latest development of the outbreak of COVID-19 in the PRC, our Directors have conducted a worst case scenario assessment with net proceeds from the Global Offering under which our Group may have to temporarily suspend the production, delivery of products and provision of service. Our key assumptions of the worst case scenario include (i) our Group will not generate any income due to suspension of operation since September 2020; (ii) the outstanding trade receivables can be collected according to the historical pattern while the outstanding bills receivables can be collected from banks at maturity date; (iii) the outstanding trade and bills payables are to be paid as and when they fall due; (iv) our Group will maintain the current size of workforce; (v) our Group will incur minimal operating and administrative expenses to maintain our operations at a minimal level; (vi) our Group will delay the implementation of future plans; (vii) our Group will still repay the borrowings as scheduled and there will be no further internal or external financing from the Controlling Shareholders or banks; and (viii) no dividend will be declared and paid by the Group after the Listing Date. Our Directors are of the view that our cash and cash equivalents as at 31 July 2020 of RMB34.3 million would allow our Group to stay financially viable for not less than 12 months in the worst case scenario arising from the outbreak of COVID-19.

The above scenario is for illustration purpose only. Our Directors are of the view that the likelihood of the worst case scenario is remote.

Having regard to the above, our Directors believe that the outbreak of COVID-19 will not have a material adverse effect on our Group's business operations, financial position or prospects.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$2.30 per Share, being the mid-point of the indicative range of the Offer Price of HK$2.00 to HK$2.60 per Share, and assuming the Over-allotment Option is not exercised) will be HK$111.5 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

Amounts		**% of total amount of the net proceeds**	**Use of proceeds**
HK$'million	*RMB'million equivalent*	*%*	
20.8	18.7	18.7	• purchase of core components and raw materials necessary for the production of customised high-voltage pitch control systems to fulfil the expected purchase quantities for Jiangyin Envision pursuant to our binding ten-year framework agreement
4.0	3.6	3.6	• diversifying our customer base in the pitch control systems market by increasing our marketing efforts
34.8	31.3	31.2	• investment into the development of a new distributed wind farm by Lingqiu Fengyuan in Linqiu County in Datong of Shanxi Province
4.2	3.8	3.8	• recruitment of 70 additional service personnel to expand our wind farm operation and maintenance services
12.7	11.5	11.4	• further strengthening our R&D capabilities to enrich our pitch control systems and solutions offering
23.8	21.4	21.3	• full repayment of a loan due to a third party by our Duolun Wind Farm
11.2	10.0	10.0	• our general working capital

For details, please see "Future plans and use of proceeds" in this prospectus.

DIVIDENDS

In 2018, Beijing Nature declared dividends of RMB15.8 million and Datang Gucang declared dividends of RMB30.1 million, to their then shareholders. As at the Latest Practicable Date, such declared dividends have been fully paid from internal source of funding. Save the aforesaid, our Group has not declared or paid or propose to declare any dividend during the Track Record Period and up to the Latest Practicable Date. The foregoing should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We do 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. For further details, please see "Financial information — Dividends" in this prospectus.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. Our Directors believe the most significant risks relating to our business include (i) a significant portion of our revenue is derived from our largest customer, Envision Group, and any decrease or loss of business from it could materially and adversely affect our business, financial condition and results of operations; (ii) we procure a significant portion of our raw materials from our largest supplier, KEB Shanghai and any adverse change in business relationship with KEB Group could materially and adversely affect our business, financial condition and results of operations; (iii) the Notice on Improving the Policy on On-grid Prices for Wind Power may have a negative impact on the wind power industry and our income from government subsidies on wind power projects in the PRC, which may materially and adversely affect our business operations; (iv) we operate in the wind power industry, which is characterised by rapid technological changes and advancements and we may not be able to maintain our revenue growth and any delay by us in releasing new and competitive wind power solutions offering will adversely affect our financial performance; and (v) we may not be able to recover outstanding renewable energy tariff premiums from the MOF, the Inner Mongolia Finance Department or the Local Power Grid Company in relation to our wind farm operations. A detailed discussion of the risk factors is set forth in "Risk factors" in this prospectus, and investors should read the entire section carefully.

OFFER STATISTICS

	Based on the maximum Offer Price of HK$2.60 per Offer Share	Based on the minimum Offer Price of HK$2.00 per Offer Share
Market capitalisation of our Shares	HK$650 million	HK$500 million
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK$1.1	HK$0.9

Note: All statistics in the table are based on the assumption that the Over-allotment Option is not exercised. The calculation of market capitalisation is based on 62,500,000 Shares expected to be issued under the Global Offering, and 250,000,000 Shares expected to be in issue immediately upon completion of the Global Offering. For detailed notes and assumptions for calculation of the unaudited pro-forma adjusted consolidated net tangible asset value per Share, please refer to the notes set out under "Unaudited pro forma adjusted net tangible assets" in Appendix II to this prospectus.

In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.

"4M2019", "4M2020"	for the four months ended 30 April 2019 and 2020, respectively
"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 4 September 2020, which will become effective upon Listing and as amended from time to time
"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing BiTe"	Beijing BiTe Weiye Technology Co., Ltd.* (北京比特偉業科技有限公司), an enterprise established under the laws of the PRC on 8 June 2001
"Beijing Gucang"	Beijing Gucang Investment Management (Holding) Co., Ltd* (北京穀倉投資管理有限公司), an enterprise established under the laws of the PRC on 26 March 2008, a direct subsidiary of Beijing BiTe with 98.75% of its equity interests being held by Beijing BiTe
"Beijing Nature"	Beijing Nature Heli New Energy Technology Co., Ltd.* (北京納泉合力新能源科技有限公司), (formerly known as Beijing Boqi Heli New Energy Technology Company Limited* (北京博奇合力新能源科技有限責任公司)), an enterprise established under the laws of the PRC on 28 June 2013, an indirect wholly-owned subsidiary of our Company
"Beijing Shanhejuli"	Beijing Shanhejuli New Energy Technology Co., Ltd.* (北京山河巨力新能源科技有限責任公司), an enterprise established under the laws of the PRC on 20 May 2013
"Board"	the board of Directors
"business day(s)"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business

"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 187,490,000 Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed "Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of our sole Shareholder passed on 4 September 2020" in Appendix IV to this prospectus
"Cayman Companies Law" or "Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Broker Participant, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"China Transport"	China Transport Real Time Service Co.,Ltd. 中國交通時代服務有限公司, a company incorporated in the BVI with limited liability on 25 May 2011, a direct wholly-owned subsidiary of our Company
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	China Nature Energy Technology Holdings Limited 中國納泉能源科技控股有限公司, a company incorporated in the Cayman Islands as an exempted company with limited liability on 28 November 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	the controlling shareholder(s) (having the meaning ascribed to it in the Listing Rules) of our Company, and unless the context otherwise requires, means each of Hongyuan BVI and Mr. Richard Cheng
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"COVID-19"	the COVID-19, the novel coronavirus identified as the source of a global outbreak in late 2019
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets
"Datang Gucang"	Datang Gucang Duolun New Energy Co., Ltd.* (大唐穀倉多倫新能源有限公司), an enterprise established under the laws of the PRC on 26 July 2013, an indirect subsidiary of our Company
"Datang Xianghuangqi"	Datang Xianghuangqi New Energy Co., Ltd.* (大唐鑲黃旗新能源有限責任公司), an enterprise established under the laws of the PRC, a shareholder of Datang Gucang which held 3.03% of the equity interest thereof and an Independent Third Party

"Datong Fengyuan"	Datong Fengyuan Energy Technology Co., Ltd.* (大同灃沅能源科技有限公司), an enterprise established under the laws of the PRC on 10 July 2019, a joint venture company which is held as to 50% by Beijing Nature and 50% by Liaoning Hailan Fengyuan New Materials Technology Development Co., Ltd.* (遼寧海瀾灃沅新材科技發展有限公司) which is controlled by Independent Third Parties
"Datong Fengze"	Datong Fengze Energy Technology Co., Ltd.* (大同灃澤能源科技有限公司), an enterprise established under the laws of the PRC on 11 July 2019, a direct subsidiary of Beijing Nature upon completion of the Reorganisation
"Datong Haiyuan"	Datong City Haiyuan Energy Technology Co., Ltd.* (大同市海沅能源科技有限公司), an enterprise which was established under the laws of the PRC on 10 July 2019 and was deregistered on 28 April 2020, a joint venture company which was held as to 50% by Beijing Nature and 50% by Liaoning Hailan Fengyuan New Materials Technology Development Co., Ltd.* (遼寧海瀾灃沅新材科技發展有限公司) which was controlled by Independent Third Parties
"Datong Yungang"	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), an enterprise established under the laws of the PRC on 29 July 2019, a direct subsidiary of Datong Fengze
"Deed of Indemnity"	the deed of indemnity dated 24 September 2020 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the subsidiaries) to provide certain indemnities, particulars of which are set out in "Statutory and general information — D. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus
"Director(s)" or "our Directors"	the director(s) of our Company
"Duolun Wind Farm"	the wind farm located at Sandaogou Village of Dahekou Town and Erdaowa Village of Duolun Nuoer Town, Duolun County, Inner Mongolia, the PRC (中國內蒙古多倫縣多倫諾爾鎮二道窪村、大河口鄉三道溝村) and operated by Datang Gucang
"EIT"	the PRC enterprise income tax

"EIT Law"	The National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅法) on 16 March 2007 which became effective on 1 January 2008 and was last amended on 29 December 2018, and the State Council enacted The Regulations for the Implementation of the Law on Enterprise Income Tax of the People's Republic of China (中華人民共和國企業所得稅法實施條例) on 1 January 2008 and amended such Regulations on 23 April 2019
"Envision"	Envision Energy Co., Ltd.* (遠景能源有限公司), an enterprise established under the laws of the PRC on 19 March 2008, an Independent Third Party who is primarily engaged in manufacturing and sales of wind turbines
"Envision Group"	Envision and its subsidiaries
"extreme condition(s)"	extreme condition(s) including but not limited to serious disruption of public transport services, extensive flooding, major landslides and large-scale power outage caused by a super typhoon according to the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Labour Department of the government of Hong Kong in June 2019, as announced by the government of Hong Kong
"F&S" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research consultant who is an Independent Third Party
"F&S Report"	the industry report prepared by F&S on the wind power pitch control system industry and wind farm industry in the PRC
"FY2017", "FY2018", "FY2019"	for financial year ended 31 December 2017, 2018 and 2019, respectively
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**Green** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time

"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 6,250,000 new Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described under "Structure and conditions of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the issue and offer of the Hong Kong Public Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee and SFC transaction levy) on and subject to the terms and conditions described in this prospectus and the Application Forms as further described in the section headed "Structure and conditions of the Global Offering — The Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the Underwriters of the Hong Kong Public Offering, whose names are set out under "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 28 September 2020 and entered into among our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters relating to the Hong Kong Public Offering, as further described in the section headed "Underwriting" in this prospectus

"Hongyuan BVI"	Hongyuan Company Limited (弘遠有限公司), a company incorporated in the BVI with limited liability on 26 November 2019, a Controlling Shareholder which is directly wholly owned by Mr. Richard Cheng
"IEA"	the International Energy Agency
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Inner Mongolia"	Inner Mongolia Autonomous Region
"International Placing"	the conditional placing of the International Placing Shares by the Underwriters for and on behalf of our Company to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price, on and subject to the terms and conditions under the International Underwriting Agreement, as further described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Placing Shares"	the 56,250,000 new Shares offered by our Company for subscription under the International Placing, subject to reallocation and the exercise of the Over-allotment Option, as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement expected to be entered into by, among others, our Company, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the International Underwriters relating to the International Placing, as further described in the section headed "Underwriting" in this prospectus
"Jiangyin Dingli"	Jiangyin Dingli Electronic Materials Co., Ltd.* (江陰市鼎立電子材料有限公司), an enterprise established under the laws of the PRC on 21 October 2004, the lessor of the property in which our production plant in Jiangyin City, Jiangsu Province is located and an Independent Third Party

"Jiangyin Envision"	Jiangyin Envision Investment Co. Ltd.* (江陰遠景投資有限公司), an enterprise established under the laws of the PRC on 18 November 2010, a direct wholly-owned subsidiary of Envision
"Jiangyin Hongyuan"	Jiangyin Hongyuan New Energy Technology Company Limited* (江陰弘遠新能源科技有限公司), an enterprise established under the laws of the PRC on 15 October 2015, an indirect wholly-owned subsidiary of our Company
"Joint Bookrunners"	Essence International Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, Guosen Securities (HK) Capital Company Limited, BOCOM International Securities Limited, Elstone Securities Limited, Kingkey Securities Group Limited, Koala Securities Limited, Shanxi Securities International Limited and SPDB International Capital Limited
"Joint Global Coordinators"	Essence International Securities (Hong Kong) Limited, Fortune (HK) Securities Limited and Guosen Securities (HK) Capital Company Limited
"Joint Lead Managers"	Essence International Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, Guosen Securities (HK) Capital Company Limited, BOCOM International Securities Limited, Elstone Securities Limited, Kingkey Securities Group Limited, Koala Securities Limited, Shanxi Securities International Limited and SPDB International Capital Limited
"KEB Group"	Brinkmann Holding GMBH and its subsidiaries (including, but not limited to, KEB Shanghai)
"KEB Shanghai"	KEB Power Transmission Technology (Shanghai) Co., Ltd. (科比傳動技術(上海)有限公司), a wholly-owned subsidiary established under the laws of the PRC of Brinkmann Holding GMBH, a company incorporated under the laws of Germany who is headquartered in Germany and is principally engaged in the development, sale and manufacturing of engineering systems, including pitch drive controllers and pitch motors
"Latest Practicable Date"	20 September 2020, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Liaoning Hailan"	Liaoning Hailan Fengyuan New Material Technology Development Co., Ltd.* (遼寧海瀾灃沅新材科技發展有限公司), an enterprise established under the laws of the PRC, a shareholder of Datong Fengze and an Independent Third Party

"Lingqiu Fengyuan"	Lingqiu County Fengyuan Energy Technology Co., Ltd.* (靈丘縣豐沅能源科技有限公司), an enterprise established under the laws of the PRC on 24 July 2019, which is wholly-owned by Datong Fengyuan
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board of the Stock Exchange first commence
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Local Power Grid Company"	A state-owned local grid company in Inner Mongolia established under the laws of the PRC which is primarily engaged in the supply of electricity
"M&A Rules"	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the SASAC, MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on 4 September 2020, which will become effective upon Listing and as amended from time to time
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the PRC Ministry of Commerce (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation (中華人民共和國對外貿易經濟合作部), as appropriate to the context
"Mr. Cliff Cheng"	Mr. Cheng Li Fu Cliff (程里伏), an executive Director and brother of Mr. Richard Cheng

"Mr. Richard Cheng"	Mr. Cheng Liquan Richard (程里全), the chairman and an executive Director, brother of Mr. Cliff Cheng, also a Controlling Shareholder holding 100% issued share capital of Hongyuan BVI, which in turn holds 75% of the total issued share capital in our Company upon Listing
"Ms. Zhou"	Ms. Zhou Xuan (周旋), spouse of Mr. Richard Cheng
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEA"	the National Energy Administration of the PRC (國家能源局)
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the offer price per Offer Share (exclusive of brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares
"Over-allotment Option"	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 9,375,000 additional new Shares at the Offer Price, representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to cover the over-allocations (if any) in the International Placing, as described in the section headed "Structure and conditions of the Global Offering" in this prospectus
"PRC Company Law"	Company Law of the PRC (中華人民共和國公司法), which was promulgated by the SCNPC on 29 December 1993 and came into effect on 1 July 1994 subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government" or "Chinese Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context require, any of them

"PRC Legal Advisers"	Tian Yuan Law Firm, our legal advisers as to the PRC laws
"Price Determination Date"	the date, expected to be on or around Thursday, 8 October 2020 but in any event not later than Friday, 16 October 2020, on which the Offer Price will be determined for the purposes of the Global Offering
"R&D"	research and development
"Regulation S"	Regulation S under the US Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the pre-listing reorganisation of our Group, further details of which are described under the section headed "History, development and Reorganisation — Reorganisation" in this prospectus and the section headed "Statutory and general information — A. Further information about our Group — 5. Corporate reorganisation" in Appendix IV to this prospectus
"SAFE"	the State Administration of Foreign Exchange of the PRC* (中華人民共和國國家外滙管理局)
"SAFE Circular No. 37"	the PRC Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on 4 July 2014
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) (since March 2018 known as the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局))
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	The Standing Committee of the PRC National People's Congress (中華人民共和國全國人民代表大會常務委員會)

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Electric"	Shanghai Electric Power Electronics Co., Ltd. (上海電氣電力電子有限公司), an enterprise established under the laws of the PRC on 9 April 2007 which is indirectly owned by Shanghai Electric Group and State Grid Shanghai Municipal Electric Power Company (國網上海市電力公司) as to 50% each, and is an Independent Third Party
"Shanghai Electric Group"	Shanghai Electric Group Company Limited (上海電氣集團股份有限公司), an enterprise established under the laws of the PRC on 1 March 2004, which is listed on the Shanghai Stock Exchange (stock code: 601727) and the Stock Exchange (stock code: 02727)
"Shanghai Yingzhen"	Shanghai Yingzhen Technology Co., Ltd.* (上海英震科技有限責任公司) (formerly known as Shanghai Naquan Electric Power Technology Co., Ltd. (上海納泉電力科技有限公司), an enterprise established under the laws of the PRC on 28 January 2003 and indirectly wholly-owned by Mr. Richard Cheng as at the Latest Practicable Date
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Share Swap Agreement"	the share swap agreement dated 27 December 2019 entered into between Mr. Richard Cheng, Hongyuan BVI and our Company in relation to, *inter alia*, the transfer of the entire shareholding in China Transport to our Company from Mr. Richard Cheng for allotment and issue of 9,000 Shares to Hongyuan BVI at the direction of Mr. Richard Cheng, credited as fully paid up
"Shareholder(s)"	holder(s) of our Share(s)
"Sole Sponsor"	Fortune Financial Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Global Offering
"Stabilising Manager"	Essence International Securities (Hong Kong) Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)

"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Hongyuan BVI and the Stabilising Manager on or about the same date as the International Underwriting Agreement
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supplier S"	a national high-tech enterprise established under the laws of the PRC on 19 May 2014, which is (i) specialised in the R&D and production of pitch drive controllers, frequency conversion control products, energy storage products and visual inspection system and (ii) an Independent Third Party
"Takeovers Code"	the Codes on Takeovers and Mergers of Hong Kong, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising FY2017, FY2018, FY2019 and 4M2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US" or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollar(s), the lawful currency for the time being of the United States
"US Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"VAT"	value-added tax
"WFOE(s)"	a wholly foreign-owned enterprise(s) established in the PRC under the laws of PRC
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant's own name

"**White Form eIPO**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Yanggao Hailan"	Yanggao County Hailan Energy Development Co. Ltd. (陽高縣海瀾能源開發有限公司), an enterprise established under the laws of the PRC on 31 July 2019, which was wholly-owned by Datong Haiyuan and was deregistered on 26 February 2020
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS
"Zhejiang Windey"	Zhejiang Windey Co., Ltd. (浙江運達風電股份有限公司), an enterprise established under the laws of the PRC on 30 November 2001, which is listed on the Shenzhen Stock Exchange (stock code: 300772)
"%"	per cent

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

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Over-allotment Option.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"accumulated installed capacity"	the sum of the rated power for power generation equipment installed such as wind turbines
"ASP"	average selling price
"benchmark on-grid price for coal-fired power (燃煤發電標桿上網電價)"	the standard on-grid price for coal-fired power set by the PRC government which differs depending on the location of the electricity generating operations
"benchmark on-grid price for wind power" (風電標桿上網電價)	the standard on-grid price for wind power set by the PRC government which differs depending on the location of the electricity generating operations, which consists of the benchmark on-grid price for coal-fired power and the subsidised electricity price
"chamber" (機艙)	a wind turbine component which houses the internal components of a turbine system
"GDP"	acronym for gross domestic product
"generator" (發電機)	a wind turbine component which produces electricity by converting mechanical energy into electrical energy
"gigawatt" or "GW"	a unit of power. 1 GW equals to 1,000 MW
"green region"	areas in the PRC designated by the relevant government authorities that (i) handles new wind farm project approval applications; and (ii) permits the development and construction of newly approved wind farm projects
"grid connection" (併網)	when a wind turbine is connected to the grid and is transmitting power
"guidance on-grid price for wind power" (風電指導上網電價)	the upper limit of expected on-grid price for wind power set by the PRC Government to guide on-grid price for wind power in practice. According to the Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》) issued in 2019, benchmark on-grid price for wind power had been changed to guidance on-grid price for wind power from 2019

"high-voltage pitch control system"	pitch control systems with a relatively high electric potential difference of 200V to 400V generally according to the F&S Report
"installed capacity"	refers to, in case of wind power, the capacity of power generation units or wind turbines that have been completely assembled or erected
"kilowatt" or "kW"	a unit of power. 1 kW equals to 1,000 watts
"kilowatt hour" or "kWh"	the unit of measurement for calculating the quantity of power production output. One kilowatt hour is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity
"low-voltage pitch control system"	pitch control systems with a relatively low electric potential difference of under 200V generally according to the F&S Report
"megawatt" or "MW"	a unit of power. 1 MW equals to 1,000 kW
"National New High-tech Enterprise"	an enterprise awarded with the National New High-tech Enterprise Certificate* (國家高新技術企業證書) by the relevant local authorities authorised by the Ministry of Science and Technology of the PRC, MOF and the State Administration of Taxation of the PRC
"on-grid price" or "on-grid price for wind power" (上網電價)	the price at which electricity generated from wind power by wind farm operators are sold to grid enterprises
"orange warning region"	areas in the PRC designated by the relevant government authorities that has suspended the handling of new wind farm project approval applications but allows approved wind farm projects to continue development and construction
"pitch control" (變槳控制)	the action of adjustment performed by a pitch control system to adjust the angle (or inlet angle) of the turbine blades of a wind turbine
"pitch control system" or "pitch system" (變槳控制系統)	the electrical system in a wind turbine that ensures high efficiency at different wind velocities. This system is capable of real-time regulation of the wind turbine generator's rotational speed when wind velocity changes through control of the blade angle for optimal energy capture and minimisation of potential damages against exceedingly high speed winds

"pitch drive controller" (變槳驅動器)	a pitch control system component which is the functional core control unit that enables the angular adjustment of turbine blades and is implemented with energy output control and safety mechanisms to ensure the smooth operation of a wind turbine
"pitch motor" (變槳電機)	a pitch control system component which functions in cohesion with the pitch drive controller to facilitate the regulation of the wind turbine generator's rotational speed via angular adjustment of turbine blades
"red warning region"	areas in the PRC designated by the relevant government authorities that (i) suspended the construction of newly approved wind farms projects; and (ii) ceased to handle new wind farm project approval applications
"renewable energy"	energy sources that are sustainable, or for all practical purposes, cannot be depleted, such as geothermal, biomass, wind and sunlight
"renewable energy tariff premium" (可再生能源電價附加)	tariff premiums which wind farm operators are entitled to based on (i) the amount of electricity generated and sold and (ii) the subsidised electricity price
"rotor" (葉輪)	a wind turbine component which connects the blades together within a turbine system and facilitates rotation of turbine blades
"spindle" (主軸)	a wind turbine component which acts a shaft enabling the rotation of turbine blades and in turn drives the generator
"sq.m."	square meter
"subsidised electricity price" (補貼電價)	the difference between (i) the on-grid price for wind power in the year which a wind farm is approved or grid connection is accomplished for a wind farm project and (ii) the benchmark on-grid price for coal-fired power
"terawatt hour" or "TWh"	the unit of measurement for calculating the quantity of power production output. 1 TWh equals to 1 billion kWh
"tower" (塔架)	a wind turbine component which supports and elevates the wind turbine structure
"turbine blade" (葉片)	a wind turbine component that drives the turbine rotor using wind energy

"ultracapacitor" (超級電容)	a pitch control system component which is controlled by the pitch motor and functions as a power storage component, which is more lightweight and offers a faster power charge as compared to traditional power storage components, and enables the supply of electricity when there is a power grid failure
"wind farm"	a power plant in which a group of wind turbines are installed to generate electricity from wind power
"wind turbine"	a electrical power generator which utilises the flow of wind to convert mechanical energy into electrical energy
"℃"	the degree Celsius (℃) refers to a specific temperature on the Celsius scale

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would", "shall", "will" and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management's current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in "Risk Factors" of this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in "Risk factors" of this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

A significant portion of our revenue is derived from our largest customer, Envision Group, and any decrease or loss of business from it could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, the revenue attributed to our largest customer, Envision Group, amounted to RMB36.1 million, RMB123.0 million, RMB168.7 million and RMB38.1 million for each of FY2017, FY2018, FY2019 and 4M2020, which accounted for 62.9%, 85.2%, 75.7% and 74.1% of our total revenue for the corresponding periods, respectively.

We have entered into a binding ten-year framework agreement with Jiangyin Envision in December 2019. For details, please see "Business — Competitive strengths — Established stable relationship with upstream and downstream of the value chain" in this prospectus.

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 the risks associated with having customer concentration in the future. We cannot assure you that Jiangyin Envision will place orders with us according to the targeted purchase quantities 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 procure a significant portion of our raw materials from our largest supplier, KEB Shanghai. Any adverse change in business relationship with KEB Group could materially and adversely affect our business, financial condition and results of operations.

We procure the majority of our raw materials, including key core components such as pitch drive controllers and pitch motors from our largest supplier, KEB Shanghai. During the Track Record Period, our purchases from KEB Shanghai amounted to RMB0.4 million, RMB85.4 million, RMB119.5 million and RMB44.8 million for each of FY2017, FY2018, FY2019 and 4M2020, representing 2.0%, 98.5%, 84.5% and 85.1% of our total purchases for the corresponding periods, respectively. For details, please see "Business — Raw materials and suppliers — Supplier Concentration" in this prospectus.

We further entered into a binding ten-year framework agreement with KEB Shanghai in December 2019. For details, please see "Business — Raw material and suppliers — Supplier concentration — Our relationship with KEB Group" in this prospectus.

Our Directors consider that we may continue to purchase the majority of our raw materials from KEB Shanghai in the future and we may face the risks associated with having supplier concentration in the future. In the event that there is an adverse change in our business relationship with KEB Group, or if KEB Shanghai fails to deliver the requisite raw materials to us in accordance with our delivery schedule, and we are unable to procure such raw materials from alternative suppliers under acceptable commercial terms and in a timely manner, our manufacturing operations of pitch control systems, sales performance and financial results could be materially and adversely affected.

The Notice on Improving the Policy on On-grid Prices for Wind Power may have a negative impact on the wind power industry and our income from government subsidies on wind power projects in the PRC, which may materially and adversely affect our business operations.

Participants in the wind power industry are stimulated to start or accomplish wind power projects during specific subsidy periods, resulting in an increase in newly installed capacity of wind power in the PRC and subsequently an increase in the sales value of pitch control systems; whereas the phasing out of government subsidies on wind power projects may have the contrary effect on the wind power industry in the PRC. According to the Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》) issued in May 2019 with an effective date in July 2019, the Chinese Government proposed that in order to scientifically and reasonably guide investments in renewable energy and promote the healthy and sustainable development of the wind power industry, government subsidy on onshore wind power would be phased out. Please refer to "Industry Overview — Overview of wind power pitch control system market in China — Market size of wind power pitch control system market in China" for further details.

As a result of the phasing out of subsidies on onshore wind power projects which have not accomplished grid connection before the end of 2021 under the Notice on Improving the Policy on On-grid Prices for Wind Power 《關於完善風電上網電價政策的通知》, the price of pitch control systems per MW is expected to increase from RMB86.8 thousand per MW in 2018 to RMB93.0 thousand per MW in 2021. Upon the reduction of available subsidies and/or expiration of such subsidy period, the enthusiasm in wind power projects will decrease, which will result in a decrease in the newly installed capacity of wind power in the PRC and subsequently a decrease in the sales value of pitch control systems. As a result of government subsidies on onshore wind power projects being phased out after 2021 under the Notice on Improving the Policy on On-grid Prices for Wind Power 《關於完善風電上網電價政策的通知》, the price of pitch control systems per MW is expected to decrease from RMB93.0 thousand per MW in 2021 to RMB87.5 thousand per MW in 2023. We cannot assure you that the pitch control system market and the wind power industry in the PRC will recover to their previous levels, or at all.

For FY2017, FY2018, FY2019 and 4M2020, the total amount of financial subsidies that we have received from the PRC Government for our wind power project were nil, RMB7.9 million, RMB15.5 million and RMB20.3 million, respectively. During FY2017, FY2018, FY2019 and 4M2020, we have also received unconditional government subsidies of RMB4,000, RMB0.3 million, RMB0.6 million and RMB0.3 million, respectively, as encouragement of our contribution in technology development in the wind power industry and the local economy. However, we cannot assure you that the relevant authorities will continue to grant such government subsidies to us. The discontinuation, reduction or delay of such government subsidies could materially and adversely affect our business, financial condition and results of operations.

We operate in the wind power industry, which is characterised by rapid technological changes and advancements. We may not be able to maintain our revenue growth and any delay by us in releasing new and competitive wind power solutions offering will adversely affect our financial performance.

The wind power industry evolves rapidly and technologies relating to wind turbines and pitch control systems are subject to rapid changes and developments. The corresponding technological developments enable wind turbines to progressively improve in terms of their operational performance and electricity production. Accordingly, our customers are demanding for more cost-effective and efficient pitch control systems or approach us with additional service requirements and higher thresholds in relation to our wind power solutions.

To maintain our market position, we are and will be required, on a timely and consistent basis, to design, develop and introduce new and improved pitch control systems, as well as enhanced service offerings that keep pace with technological developments in order to meet the higher demands from our customers. Accordingly, we have devoted resources to our R&D efforts. During the Track Record Period, our total R&D expenses amounted to RMB2.1 million, RMB5.4 million, RMB5.4 million and RMB2.3 million for each of FY2017, FY2018, FY2019 and 4M2020, respectively. However, we cannot assure you that our R&D efforts can be completed in the anticipated time frame and may not lead to new wind power solutions that are commercially successful. If we encounter delays in production development and technology integration, fail to meet changing market demands, or fail to successfully introduce new and competitive solutions offering to the market, and if our competitors respond more rapidly than we do, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to recover outstanding renewable energy tariff premiums from the MOF, the Inner Mongolia Finance Department or the Local Power Grid Company in relation to our wind farm operations.

On 14 March 2012, the MOF, the NDRC and the NEA jointly issued the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy (可再生能源電價附加補助資金管理暫行辦法), setting standardised procedures for the settlement of the tariff premium fund and project-based approvals are required before allocating the funds to local grid companies. It provides that the subsidy standard for wind power projects might be determined by the on-grid price for wind power and the benchmark on-grid price for coal-fired power. On 20 January 2020, the Notice on the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy was repealed by the Administrative Measures for Tariff Premium Funds for Renewable Energy (可再生能源電價附加資金管理辦法) which proposes that the projects on the list of subsidy shall be subsidised with fixed amount or the fund shall be determined according to the price difference between the on-grid price for wind power and the benchmark on-grid price for coal-fired power. For further details, please refer to "Regulatory overview — Regulations related to electronic power — Regulations related to pricing" in this prospectus.

Since our collection of such tariff premiums is subject to the allocation of funds by relevant government authorities to local grid companies and could take a relatively long time for settlement, outstanding renewable energy tariff premiums from the MOF, the Inner Mongolia Finance Department or the Local Power Grid Company for our wind farm operations have contributed to our receivables during the Track Record Period. As at 31 December 2017, 2018 and 2019 and 30 April 2020, such outstanding tariff premiums amounted to RMB29.7 million, RMB35.0 million, RMB32.2 million and RMB15.7 million, respectively. We could not guarantee that our Group is able to successfully collect any or all of the outstanding tariff premiums, and any failure on the part of the MOF, the Inner Mongolia Finance Department or the Local Power Grid Company to settle or settle on time the outstanding tariff premiums may adversely affect our Group's financial condition and operating cash flows.

We may not be able to obtain timely and stable supply of the raw materials and components required for our business.

Most of our raw materials and components are purchased domestically. Due to the relatively high technical threshold for the production of certain raw materials and components, the number of qualified suppliers in the PRC is limited. According to F&S, there are more than ten qualified suppliers for each of pitch drive controllers, pitch motors and ultracapacitors in the PRC as at the Latest Practicable Date. Although we have stable relationships with most of our suppliers and believe that we are able to purchase the required raw materials and components on reasonable commercial terms from other qualified suppliers if necessary, we cannot assure you that the suppliers can meet all of our required product standards and technical specifications for increasing quantities in a timely manner and at acceptable prices. If our existing suppliers materially reduce or cease their supply of raw materials and components to us, and we fail to source the parts and components that satisfy our quality standards and requirements from other suppliers, our business operation, financial condition and results of operation may be materially and adversely affected.

If we fail to maintain an effective quality control system, including quality control on raw materials supplied and the manufacturing process of our production plant, our business may be adversely affected.

Pitch control systems are assembled with various components and the malfunction of any of the components may result in breakdowns or malfunctions. We design, develop, manufacture and assemble our pitch control systems in our production base located in Jiangyin City, Jiangsu Province. We adopt stringent quality control measures which include (i) inspection of incoming raw materials and components; (ii) various tests and inspections throughout the manufacturing process on both semi-finished and finished pitch control systems; and (iii) liaison with our suppliers if we detect any sub-standard or defective raw materials during the assembling process.

If we fail to maintain our effective quality control measures, we may fail to detect problematic components, raw materials or products. In the event that the aforementioned occurs, we may need to substitute defective components or raw materials with replacements or reassemble the products and it may be costly and time consuming. It may then result in increased costs of production, delays in product delivery, delays in our collection of payment as well as decrease in future sales orders.

Further, if any malfunction of our products occurs, the wind turbines installed with our pitch control systems may cease to function properly and/or cause safety issues in the generation of electric power. Although our quality control measures are in place, we cannot assure you that no malfunction would occur. If any accident or malfunction occurs as a result of our defective products, our customers may claim against us and/or reduce the placement of purchase orders with us.

To the best information and knowledge of our Directors, we have not encountered any material product quality issues and no material accident has occurred for our products during the Track Record Period.

Our business operations may be materially and adversely affected by the outbreak of COVID-19.

The outbreak of COVID-19 in the PRC, Hong Kong and the rest of the world since late 2019 and the classification of COVID-19 as a pandemic by the World Health Organization on 12 March 2020 has led to public health and safety concerns and the implementation of certain policies by governmental authorities to safeguard the health and safety of the general public and to limit the potential impact of the outbreak of COVID-19. Such policies include (i) the lockdown of certain cities in the PRC by the relevant PRC authority to contain the outbreak of COVID-19; (ii) the postponement of the resumption of business operations following the Lunar New Year holiday to not earlier than 10 February 2020 by the PRC Government; (iii) the adoption of road traffic control measures in certain cities and regions of the PRC; (iv) the implementation of preventive and control measures such as health monitoring and medical isolation of persons with a history of visiting key epidemic areas or having been in close contact with such persons; (v) the encouragement of flexible work schedules and work-from-home arrangements to reduce high concentration of people; and (vi) the requirement of enterprises to prepare necessary hygiene and protective equipment and facilities in order to monitor the health of their employees and to minimise the spread of COVID-19. As a result of health and safety concerns over the outbreak of COVID-19 and the implementation of the aforesaid policies, the operation of our production plant and the provision of other wind power solutions may be adversely affected until the aforesaid policies are lifted.

Furthermore, the outbreak of COVID-19 in the PRC had disrupted our business operations as we suspended our business operations from 31 January 2020 to 10 February 2020, which might adversely affect our financial condition and results of operations. For details, please see “Summary — Recent outbreak of COVID-19”.

While the immediate impact of the COVID-19 outbreak on our business has been relatively minimal so far, we cannot guarantee that the COVID-19 outbreak will not worsen. There is no assurance that our suppliers of raw materials and key components would be able to (i) maintain their normal business operation without disruptions; and/or (ii) deliver raw materials and key components to us without delay in the event that transportation restrictions are imposed, and there is no guarantee that we would be able to source raw materials and key components from alternative suppliers in time to satisfy the purchase orders of or sales agreements with our customers if COVID-19 persists for a substantial period. In addition, notwithstanding the precautionary measures implemented by us, there is no assurance that our employees or personnel would not be infected by COVID-19, in such event the relevant employees or personnel would need to be quarantined and our business operations may be adversely affected as a result. Moreover, the outbreak of COVID-19 in the PRC may have a material adverse impact on national and local economies, which may lower the demand for our products and services in the wind power industry supply chain in the PRC.

There is no assurance that the outbreak of COVID-19 in the PRC can be effectively controlled, or another outbreak of COVID-19 or other disease outbreak will not happen in the future. Such disease outbreaks, should they materialise and persist for a substantial period, may significantly and adversely affect our business operation and financial performance.

Our business and results of operations may be severely affected due to the outbreak of diseases, epidemics or pandemics.

An occurrence of diseases, epidemic or pandemics may cause material disruptions to our business operations. During the outbreak of diseases, epidemics or pandemics, our customers may reduce or cease to place purchaser orders, or we may encounter interruption in the supply of raw materials and key core components from our suppliers and may be required to suspend our business operations temporarily. As a result, we may experience a delay in the overall progress of our production and in the delivery of products and/or solutions to our customers.

Further, outbreaks of diseases, epidemics, pandemics or a general apprehension of such outbreaks might have an impact on the wind power industry. The overall confidence and interest of the customers or investors in the wind power industry in the PRC may be affected which in turn will directly affect the availability of wind power projects in the market and affect our future growth.

There is no assurance that there will be no recurrence of any outbreaks of diseases such as COVID-19, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome Coronavirus (MERS) or any other contagious disease, epidemic or pandemic outbreaks in major cities or provinces in the PRC. We may not be able to sustain our historical growth in revenue and profit in the future and our financial results and business operations could be materially and adversely affected.

Unexpected disruptions to our production facilities or production process may materially and adversely affect our business operations.

Our sales of pitch control systems business is heavily dependent on the smooth operation of our production plant in Jiangyin City, Jiangsu Province where all of our production machinery and equipment are situated. These production machinery and equipment are subject to operating risks, such as equipment failures, disruptions in power supply, industrial accidents, labour shortage, strikes, fire, natural disasters or other acts of God, which are beyond our control and may adversely affect the economy, infrastructure, livelihood and society in the PRC. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our production facilities, disrupt our operations and destroy our works performed.

Moreover, our business is subject to outbreaks of severe communicable diseases, such as COVID-19, swine flu, avian flu and severe respiratory syndrome. If any unanticipated or prolonged interruption of our operations at our production base happens due to any of the aforementioned risks, we may not be able to deliver our products and/or solutions offering to our customers in a timely manner or at all. As a result, our relationship with customers could be adversely affected due to our failure and we may also be subject to contractual claims for compensation from our customers, which may materially and adversely affect our business, financial condition and results of operations.

We may be affected if the government reduces or ceases its support and encouragement of the wind power industry.

The development and profitability of our business operations is significantly dependent on laws, policies and regulations that support the wind power industry in the PRC. The PRC Government has promulgated a series of laws, policies and regulations to support and encourage wind power development in the PRC by providing certain preferential measures. Such policies and regulations include Notice on Improving the Policy on On-grid Prices for Wind Power《關於完善風電上網電價政策的通知》, Guiding Opinions on Energy Works in 2018《2018年能源工作指導意見》, Notice on Reducing the Burden of Enterprises in Renewable Energy Industry《關於減輕可再生能源領域企業負擔有關事項的通知》, Notice on Related Requirements for Construction and Management of Wind Power Projects 2018《關於2018年度風電建設管理有關要求的通知》, The Action

Plan of Clean Energy Consumption (2018–2020) 《清潔能源消納行動計劃（2018–2020年）》, Notice on Assigning the Extra Subsidy to the Renewable Energy Price《關於下達可再生能源電價附加補助資金預算的通知》, The 13th Five-Year Plan for Industrial Development of the Autonomous Region《自治區"十三五"工業發展規劃》, Notice on Actively Promote the Work concerning Subsidy-free Grid Parity for Wind Power and Photovoltaic Power Generation 《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》, Notice on Issuing the Measures for the Administration of the Guaranteed Buyout of Electricity Generated by Renewable Energy Resources《可再生能源發電全額保障性收購管理辦法》, the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy《可再生能源電價附加補助資金管理暫行辦法》and the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy was repealed by the Administrative Measures for Tariff Premium Funds for Renewable Energy 《可再生能源電價附加資金管理辦法》. Furthermore, according to the F&S Report, the evolving policy on electricity generation in Inner Mongolia promulgated by the relevant governmental authorities, such as Notice on 2020 Wind Power Investment Monitoring and Warning Results 《2020年度風電投資檢測預警結果》and Notice of the National Energy Administration on Issuing the 2019 Wind Power Investment Monitoring and Early Warning Results 《國家能源局關於發佈2019年度風電投資監測預警結果的通知》, may lead to the suspension or prohibition of new wind power projects and adversely affect the wind power industry in Inner Mongolia. Please see "Industry Overview — Overview of wind power industry in China — Regulations and policies of wind turbines and pitch control system market in the PRC (related to Inner Mongolia)" for further details. Such laws, regulations and policies directly affect the prospects of the wind power industry and pitch control system manufacturing industry and are major factors that affect our pitch control systems and wind power solutions offering.

Further, the level of acceptance of wind power as a viable form of renewable energy by the PRC Government that establish energy policies has a significant effect on us. The direct or indirect reduction, or even termination, of such government support may have a negative impact on the wind power industry in the PRC. In the event of changes in government support of the wind power industry in which we operate, or changes to policies associated with such industry, demand for our pitch control systems and wind power solutions offering could decrease and our operations may be affected. Furthermore, if these favourable energy policies are changed or discontinued to our detriment before our business operations become cost-effective in a non-subsidised market environment, we could be forced to compete directly against companies that generate electricity through conventional non-renewable energy sources and other more established renewable energy companies, which may enjoy significant cost advantages over us. Accordingly, the use of wind power as an alternative power source may become less widespread due to changes in government policies, and this could have a material and adverse effect on our business, results of operations and prospects.

We may be subject to possible product returns and product liability claims which may reduce our profitability.

We only accept product returns if (i) there is a design or manufacture defect in our products or solutions offering, or (ii) the specifications of our products or solutions offering deviate from our customers' provided specifications pursuant to our sales agreements. Our pitch control systems, which are customised, designed and manufactured based on our customers' needs, may have quality issues, undetected defects or errors or a mismatch of specifications as compared to those requested by our customers. These issues or defects may be due to errors in product design, raw materials or components, manufacturing process or hardware and software incompatibility. Depending on the nature of the issues with our products, we may have to provide our site services to our customers or our customers may return the products to us. We may also encounter losses if we fail to fix the products with quality issues.

To the best information and knowledge of our Directors, there were no material requests for product returns during the Track Record Period. However, we cannot assure you that we will not face such requests for product returns in the future.

We may not be able to adequately protect our intellectual property rights.

Our R&D function covers various aspects of pitch control systems, such as the overall design and functionality of pitch control systems, hardware and software development, enhancement of the efficiency of the production process, hardware and software designs and streamlining of the production line. In order to protect our technological know-how, we rely primarily on patents and proprietary technologies. Further, certain know-how cannot be registered, and we rely on confidentiality and trade secrets protection obligations of our customers and employees to protect our intellectual property rights.

We cannot assure you that these measures will be sufficient to prevent any infringement of our intellectual property rights or that our competitors will not independently develop alternative technologies that are equivalent or superior to our patents and proprietary technologies. Further, we cannot assure you that all our registration applications will be successful, or our registered intellectual property rights will not be subject to any objections.

In the event that the steps which we have taken and the protection under the law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, our competitors may exploit our intellectual property and release competing products and solutions offering, which could materially and adversely affect our business prospects and financial performance.

We may face intellectual property infringement claims which could negatively impact our business.

We may face intellectual property infringement claims or otherwise become aware of potentially relevant patents and other intellectual property rights held by other parties. As a result, we may need to bear significant legal costs and may need to pay for damages. We may also be subject to an injunction to refrain from using certain intellectual property and all of these could negatively impact our business operations, as well as our reputation in the wind power industry.

To the best information and knowledge of our Directors, we have not received any material complaints alleging any potential claims relating to infringement of intellectual properties of third parties.

Our business strategies and future expansion plans may not be successful, achieved within the expected time frame, implemented within the estimated budget or lead to an increase in depreciation and other operational expenses.

We intend to develop two distributed wind farms in Datong of Shanxi Province. Whether our future plans can be implemented successfully, achieved within the expected time frame or implemented within the estimated budget may be beyond our control, while future and unforeseeable events may affect the implementation of our future expansion plans, such as uncertainties in obtaining necessary governmental approvals for the establishment and operations of the distributed wind farms, changes in the climate and wind conditions of the wind farms, unavailability of bank borrowings at a reasonable interest rate, delays in the construction of the distributed wind farms, transmission congestions of the power grids of power grid companies and changes in the general economy, market conditions and/or applicable laws and regulations. For further details on our future expansion plans, please see "Business — Business strategies" and "Future plans and use of proceeds" in this prospectus.

The implementation of our business plans and strategies may be hindered by various risks and uncertainties, including but not limited to the risk factors mentioned within this section. There is no assurance that we will be able to successfully maintain or increase our market share in the wind power solutions offering industry or grow our business successfully after deploying our management efforts and financial resources for the implementation of our business plans and strategies. Any failure in maintaining our current market position or implementing our business plans and strategies could materially and adversely affect our business, financial condition and results of operations.

Based on our future business plans as set out in the section headed "Business — Business strategies" in this prospectus, our Directors believe that the net proceeds raised from the Global Offering and our internal financial resources should be sufficient to meet the capital requirement under such business plans. However, other opportunities to expand our business may arise and the net proceeds from the Global Offering may not be sufficient to develop these opportunities. As a result, we may need to obtain additional financing to fund our future capital expenses. If we are unable to secure adequate and sufficient funds for our business needs in a timely manner, we may not be able to fully implement our future business plans effectively and successfully.

Our business strategies and future expansion plans include, among others, (i) the investment into the development of two distributed wind farms in Datong of Shanxi Province; (ii) the diversification of our customer base in the pitch control systems market by increasing our marketing efforts; (iii) the expansion of our wind farm operation and maintenance services; and (iv) further strengthening our R&D capabilities to enrich our pitch control systems and solutions offering. The net proceeds from the Global Offering will be applied towards (a) the development of the distributed wind farm in Lingqiu County in Datong of Shanxi Province to supply electricity to the relevant local power grid company(ies); (b) the recruitment of additional sales, wind farm operation and maintenance and technical and R&D personnel; and (c) the purchase of R&D software and testing machines. The investment into the two distributed wind farms is expected to increase our aggregate depreciation and amortisation expenses and other related expenses by nil, nil and RMB9.4 million for each of the three years ending 31 December 2022, respectively, which may adversely affect our financial results. The recruitment of additional personnel is estimated to increase staff costs by RMB1.0 million, RMB8.7 million and RMB9.7 million for each of the three years ending 31 December 2022, respectively. Furthermore, the purchase of the software and testing machines is expected to increase our aggregate depreciation and amortisation expenses and other related expenses by RMB0.1 million, RMB0.7 million and RMB0.7 million for each of the three years ending 31 December 2022, respectively. If there is insufficient demand for our pitch control systems, wind power or other products and services, or if the aforementioned charges and expenses increase without a corresponding increase in our revenue, our profitability and prospects may be adversely affected.

In addition, the general economic environment, market conditions and the development of the wind power industry, in particular, in the PRC and around the world may be unpredictable. In view of such risks and uncertainties, there is no assurance that we will be able to secure increasing revenue from our existing customers or new customers, market share in the wind power industry and/or profit margins that are consistent with the levels that we had been able to achieve during the Track Record Period or at all.

If we are unable to obtain or renew wind power generation licences for the Duolun Wind Farm and distributed wind farms that we operate/intend to operate, there may be a material and adverse effect on our business.

The operation and maintenance of the Duolun Wind Farm and the Lingqiu County and Yungang District distributed wind farms are highly regulated and subject to strict PRC laws and regulations. These laws and regulations relate to, among other things, project and other government approvals and licensing requirements for power generation companies, building and construction of new projects, landscape conservation and electricity dispatch and transmission. Further, third parties may challenge a decision to grant us operational and construction permits in relation to the Duolun Wind Farm and the distributed wind farms after local authorities have granted us such permits. Finally, we must comply with laws and regulations, as well as the conditions contained in the operational and construction permits in relation to the Duolun Wind Farm and the Lingqiu County and Yungang District distributed wind farms. Failure to do the above may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licenses or permits. These factors could have an adverse effect on our business, financial condition and results of operations.

According to the F&S Report, the NEA evaluates wind power investment allocation across the PRC annually and may re-classify regions in the PRC in relation to policies on wind farm project approval applications, development and construction in order to ensure that the wind power industry in the PRC as a whole remains sustainable and viable, which may lead to delays in or suspensions of the establishment of our new wind farm projects. Due to the temporary suspension of approving wind power projects in certain areas in the PRC imposed by the Notice on 2020 Wind Power Investment Monitoring and Warning Results (2020年度風電投資監測預警結果) and Environmental Monitoring and Evaluation Results of the Photovoltaic Power Generation Market in 2019 (2019年度光伏發電市場環境監測評價結果) issued by the NEA in March 2020, the project approval for the wind farm in Yungang District has not yet been obtained as at the Latest Practicable Date. If we are unable to obtain the project approval for the Yungang District wind farm, the time and resources expended by our Group and management on the Yungang District wind farm will be wasted and we may have to look for alternative distributed wind farms to invest in, which may have a material and adverse effect on our present and future business operations and financial performance.

There are defects in the right to use certain of our owned and leased properties in the PRC.

Owned property in the PRC — Duolun Wind Farm

As at the Latest Practicable Date, we have constructed and are currently operating the Duolun Wind Farm on our owned property in Duolun County. For details, please refer to "Business — Properties — Owned property in the PRC".

According to the telephone interview conducted by the PRC Legal Advisers with the Real Estate Registration Center of Duolun County* (多倫縣不動產登記中心) on 10 March 2020, it has been confirmed that according to local practices, the registration application of buildings which are located on mortgaged land is generally difficult to arrange. Therefore, as at the Latest Practicable Date, we were unable to obtain the property ownership certificate for the comprehensive building in our Duolun Wind Farm. There is no assurance that the relevant authority will not take any actions against us in relation to the failure to obtain the relevant property ownership certificate for the comprehensive building. According to our PRC Legal Advisers, although there is no particular penalty as a result of the non-completion of the property ownership registration of the comprehensive building, the title to relevant property is regarded as subject to encumbrance and may not be transferred to other parties.

Leased properties in the PRC — Non-registration of lease agreements in respect of our leased properties

As at the Latest Practicable Date, we have leased 11 properties in the PRC. For further details, please refer to "Business — Properties — Leased properties in the PRC" in this prospectus. We have not registered the lease agreements in respect of our leased properties in the PRC due to the difficulty of procuring the landlords' cooperation to register such lease agreements. Pursuant to the applicable PRC laws and regulations, a lease agreement shall be registered with the relevant authority within 30 days after the lease agreement is signed. The relevant authority may request the parties to rectify the non-registration situation and register the lease agreement within a specified time limit. If the parties fail to do so, they may be subject to a fine in the range of RMB1,000 to RMB10,000 for every lease agreement which has not been registered.

As at the Latest Practicable Date, we have not registered 11 lease agreements in relation to leased properties with the relevant PRC governmental authority, and our Group may therefore be subject to a maximum fine of RMB110,000 for non-registration of such lease agreements. Our Directors confirmed that they were not aware of any penalty or fine imposed or any administrative action taken by the relevant PRC authorities against our Group regarding non-registration of these lease agreements. There is no assurance that the relevant authority will not take any actions or impose any penalty or fine on us regarding non-registration of these lease agreements.

Our sales of electricity are dependent on the availability of power grids with adequate transmission capacity.

We depend on the power grids owned and operated by the Local Power Grid Company and local power grid companies in Shanxi Province to transmit the electricity we generate. Under the regulatory framework in the PRC, grid companies must generally purchase and dispatch all electricity generated by wind farm operators within the coverage of their power grids. However, the electricity allocation control centre under the local power grid company (including the Inner Mongolia Electricity Allocation Control Centre) usually has the power to limit and allocate the quantity of the on-grid wind power, for the purpose of maintaining the safety of the power grids and better allocation of energy. Grid companies may take a number of factors into consideration when determining whether to dispatch electricity, including, but not limited to, local demand for electricity, inter-connection agreements between power grids and the transmission capacity of the power grids.

Further, the Duolun Wind Farm is located in Inner Mongolia, which is a remote area where local power grids have insufficient transmission capacity to deliver all the potential electricity which could be generated. Transmission limitations such as grid congestion and transmission interruption may also hinder our wind power generation and impair our ability to fully capitalise on the potential of the Duolun Wind Farm and the distributed wind farms, which are based in Datong of Shanxi Province. Also, as electricity generated from wind farms cannot be stored and must be transmitted or used once generated, we may have to temporarily suspend our operating wind turbines partially to accommodate such transmission limitations from time to time. The local electricity allocation control centre may give instructions to wind farm operators from time to time through its control system connected to ours, to limit the quantity of wind power to be generated as it considers necessary. We will correspondingly control the quantity of electricity to be generated from wind power by lowering down or turning off some of our wind turbines. As a result, we may encounter wind curtailment problems and excess capacities of our wind farm operations may be unutilised, which could adversely affect the efficiency our wind power generation business and in turn our results of operations.

According to the F&S Report, Inner Mongolia is one of the areas with the most abundant wind and coal-fired energy resources in China and experienced under-development of infrastructure of power grid to support transmission capacity in the past, hence experiencing a different extent of wind curtailment problems. Although with the support of governmental policy and advancement of power grid infrastructure in Inner Mongolia in recent years, which has alleviated the wind curtailment problem, we cannot assure you that we will be able to secure sufficient adequate transmission capacity from power grids in a timely manner, or at all. Failure or delays to secure such transmission capacity, or the curtailment of our wind farms' output levels, will reduce our electricity output and inhibit our operational efficiencies, which in turn could materially and adversely affect our business prospects and financial performance.

The commercial viability and profitability of our Duolun Wind Farm and the distributed wind farms are highly dependent on suitable wind and climate conditions.

The electricity and revenue generated from our Duolun Wind Farm and the distributed wind farms are highly dependent on favourable wind and climate conditions, which vary across seasons and regions and are difficult to predict. Wind turbines will only operate effectively when the wind speed reaches a certain minimum level of velocity (approximately three to four meters per second) and must be disconnected when the wind speed exceeds a certain maximum level of velocity (approximately 20 to 25 meters per second) to avoid damage. As such, if the wind speed falls outside the operative range, the amount of electricity which we generate will decrease or even cease. In particular, according to the F&S Report, Inner Mongolia, which is the location of our Duolun Wind Farm, is located in the northern-most Mongolian Plateau in China. It has a vast area and has one of the most abundant wind energy resources in China. However, similar to other regions, wind energy in Inner Mongolia is affected by factors such as seasonality and time. October to April is usually the best season for wind power generation, while in summer between July to August, there are certain calm and breeze weather and the wind speed and wind energy density also decrease. We cannot assure you that the wind and climate conditions in Inner Mongolia and Shanxi Province will always fall within the optimal operative range.

In addition, if the seasonal fluctuations of wind and climate conditions do not conform to our historical observations or correspond to our forecasts, it may result in unexpected fluctuations in the wind power generation of our Duolun Wind Farm and the distributed wind farms, and in turn our results of operations. Further, severe weather conditions or natural disasters could damage our Duolun Wind Farm and the distributed wind farms and their facilities and decrease wind power generation levels, which could adversely affect our ability to generate revenue.

Nearby objects may interfere with the operations of our wind farms.

In general, in addition to climate conditions and wind conditions of wind farms, the operational performance of wind farms may be affected by objects such as buildings, trees or other wind farms in close proximity to the Duolun Wind Farm and the distributed wind farms due to the disruption of wind flows, known as "wake effects". Although our wind farm operation are not currently affected by such factors, the PRC Government may grant land use rights for land adjacent to the Duolun Wind Farm and the distributed wind farms which its development and construction works would have a negative wake effect on the Duolun Wind Farm and the distributed wind farms, hence could have a material adverse effect on our business, financial condition or results of operations.

Our wind power generation and results of operations are dependent on the operating performance of our wind turbines.

Our wind power generation business and its ability to generate revenue depend upon the operating performance of our wind turbines. The under-performance or non-performance of our wind turbines will have a direct negative impact on the financial condition and results of operations of the Duolun Wind Farm and the distributed wind farms. Therefore, we cannot assure you that our wind turbines at the Duolun Wind Farm and the distributed wind farms will operate at optimal efficiency to generate electricity at all times, and this in turn could adversely affect our wind power generation business and results of operations.

We may need to purchase and install additional equipment for our wind farms to comply with grid safety and stability requirements.

The Renewable Energy Law of the PRC (中華人民共和國可再生能源法) and applicable grid safety regulations require wind farm operators to protect the safety and stability of power grids. As such, we expect to incur additional expenses in the purchase and installation of additional equipment at our wind farms from time to time. In the future, if we become subject to stricter grid safety and stability requirements, we may need to incur additional expenses to upgrade our existing wind farm facilities and wind turbines, which could materially and adversely affect our wind power generation business and its corresponding financial condition and results of operations.

Changes in our procurement process or costs structure may have a material and adverse impact on our business.

The key core components of pitch control systems are pitch drive controllers, pitch motors and ultracapacitors, whereas our other business segments such as wind power generation and wind farm operation and maintenance services are labour-intensive and requires significant manpower to operate. During the Track Record Period, the total cost of raw materials, components and parts of pitch control systems amounted to approximately RMB25.3 million, RMB82.0 million, RMB138.3 million and RMB32.8 million respectively, accounting for approximately 65.9%, 82.1%, 88.4% and 86.0% of our total cost of sales for the Track Record Period. In addition, during the Track Record Period, our staff costs accounted for approximately 12.3%, 8.8%, 5.1% and 7.2% of our total cost of sales, respectively. Our success greatly depends on our capability (i) to source sufficient key core components for our pitch control systems from our suppliers and (ii) to maintain a qualified workforce at a satisfactory price, quality level and in a timely manner. Any change in our procurement process or costs structure as a result of changes and/or disruptions in the supply or increase in costs of key core components and qualified staff could adversely affect our business and results of operations.

We agree with our customers on the lists of raw materials which are to be acquired from our end and from our customers' end respectively. During the Track Record Period, we were generally responsible for procuring major components including pitch drive controllers, pitch motors and auxiliary raw materials such as electric reactors and connective wires, which represent about 50% of the costs of raw materials for a full set of pitch control systems, whereas the remaining raw materials were ordered by our customers. During August to December 2019, we extended to include ultracapacitor (another core component for pitch control system, which represents about 25% to 30% of the costs of raw materials for a full set of pitch control systems) in the list of raw materials to be procured from our end for orders placed by our largest customer. To further extend our tailored services to our largest customer, we may agree to source higher proportion or all raw materials from our end for orders to be placed by it. We cannot guarantee our ability to procure all the materials for production of pitch control systems at a reasonable price, quality level and in a timely manner, or at all. If the modified procurement process and costs structure of our pitch control system segment are less cost-effective or inhibits our ability to provide customised pitch control systems, this may have a material and adverse effect on our business prospects, results of operations and financial condition. Furthermore, as our credit term for our supplier is generally shorter than the credit term we offered to our customers, our cash inflow and outflow may be temporarily mismatched. As such, our procurement of an increasing proportion of or all the materials for production of pitch control systems may burden our cash flow position and increase our liquidity risk. By taking into account (i) the time period for production and delivery of our pitch control systems; (ii) the credit term for payment to our suppliers; and (iii) the actual collection time period for receivables from our customers, our Directors estimate that the additional procurement cost due to the higher proportion of raw materials to be sourced from our end may be exposed to a temporary mismatch in cash inflow and outflow of approximately 120 to 180 days. If our liquidity level deteriorates because of the aforesaid mismatch in turnover days or any reason beyond our control, we may curtail or defer our business expansion plans based on the availability of sufficient funds and our ability to make necessary capital expenditure or our development of business opportunities in the future may be limited.

We operate in a capital-intensive business, and our business, financial condition and results of operations are subject to the availability of external financing as well as fluctuations in the costs of external financing.

The operation and development of our businesses require significant capital expenditures; in particular, our wind farms. A significant increase in the costs of developing and constructing our wind farms could materially and adversely affect our business, financial condition and results of operations.

Prior to the Track Record Period, we relied on mix of bank borrowings as well as advances from related parties and third parties to support the construction of wind farms. During the Track Record Period, our total debts, including all interest-bearing bank loans, lease liabilities, loans due to related parties and third parties of our Group, amounted to RMB114.3 million, RMB135.7 million, RMB94.2 million and RMB89.2 million in FY2017, FY2018, FY2019 and 4M2020, respectively; and we recorded interest expenses of RMB7.1 million, RMB7.7 million, RMB6.8 million and RMB2.0 million for the respective periods. Therefore, any changes in interest rate may affect our cost of financing and, thus, our results of operation.

We require external financing to support the growth and expansion of our business. Our ability to obtain external financing in the future is subject to a variety of factors, including (i) our future financial condition, operating results and cash flows; and (ii) the general condition of the global and domestic financial markets, changes in the monetary policy, bank interest rates and lending policies. In the event that our current resources are not sufficient for our needs, we may have to seek additional financing, including equity or debt financing. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, our Shareholders may experience dilution in their shareholding. If we use debt financing, we may be subject to covenants or other restrictions. We cannot assure you that we will be able to raise the necessary capital to finance our planned capital expenditures on acceptable terms or at all. If we are unable to secure such funding, we may have to reduce our planned capital expenditures and delay or abandon our expansion plan, which in turn could materially and adversely affect our business and results of operations.

We had net current liabilities during the Track Record Period and may continue to have net current liabilities in the future.

As at 31 December 2017 and 2018, we recorded net current liabilities of RMB15.0 million and RMB19.8 million, respectively. Such change was primarily due to the increase in current portion of trade and other payables of RMB17.2 million and increase in bank borrowings and other loans of RMB34.5 million, being partially offset by increase in trade and other receivables of RMB44.6 million. Please see "Financial information — Net current assets/liabilities" for a detailed analysis of our net current assets/liability position. There can be no assurance that we will be able to improve our asset/liquidity and working capital position and record net current assets. If we continue to record net current liabilities, we may face a deficiency of working capital and may not be able to service our short term debts. Any of these events could have a material adverse impact on our business, financial conditions and results of operations.

We had net cash used in operating activities for FY2017 and FY2018. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.

We had net cash used in operating activities of RMB5.8 million and RMB10.7 million for FY2017 and FY2018, respectively. For further details, please refer to the section headed "Financial information — Net cash (used in)/generated from operating activities" in this prospectus. However, we cannot assure you that we will not experience net cash used in operating activities in the future. If our liquidity level deteriorates, we may curtail or defer our business expansion plans based on the availability of sufficient funds and our ability to make necessary capital expenditure or our development of business opportunities in the future may be limited. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risks of our customers.

As at 31 December 2017, 2018, 2019 and 30 April 2020, our Group's trade and bills receivables, net of loss allowance were approximately RMB72.7 million, RMB121.3 million, RMB145.4 million and RMB133.4 million, respectively, representing approximately 86.6%, 91.7%, 72.2% and 61.2% of our Group's total current assets as at the respective dates. Among which, as at respective dates, outstanding tariff premiums amounted to RMB29.7 million, RMB35.0 million, RMB32.2 million and RMB15.7 million, is subject to the allocation of funds by relevant government authorities to local grid companies and could take a relatively long time for settlement. For further details, please refer to the paragraph headed "We may not be able to recover outstanding renewable energy tariff premiums from the MOF, the Inner Mongolia Finance Department or the Local Power Grid Company in relation to our wind farm operations." under this section. Meanwhile, if our customers delay in or default on their payments, we may have to make additional provision for impairment, write off the relevant receivables and/or incur substantial legal costs to recover the outstanding balance, which may in turn have an adverse effect on our financial condition, results of operations and business prospects. We are therefore subject to credit risk of our customers and our profitability and cash flow are dependent on our receipt of timely payments from our customers. There is no assurance that we will be able to collect all or any of our receivables in a timely manner, or at all. If any of our customers face unexpected adverse situations, including, but not limited to, financial difficulties, significant decrease in demand for their products and disruption in the business operation, we may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers. Non-payment or delays in payment by our customers may materially and adversely affect our business, financial condition, results of operations and business prospects.

If we fail to manage our inventories effectively, we may experience a higher risk of inventory obsolescence, a decline in inventory value and significant inventory write-downs or write-offs.

While we mainly procure raw materials, components and parts based on purchase orders placed by our customers or order estimations provided by our customers based on forecasts, long term framework agreements and/or strategic cooperative agreements in order to avoid accumulation of excessive inventories, there is no assurance that our customers will not subsequently cancel or adjust their purchase orders, in which case we may not be able to reuse certain raw materials, components or parts ordered for them and/or the finished products manufactured according to their specifications. Customer demand may be affected by numerous uncertainties, including the progress of their production, timing and success of their product trial and testing and other factors beyond our control, which may result in an increase in our inventory level. During the Track Record Period, we increased the percentage of major components we were responsible for procurement for our customers from about 50% to 80% of the costs of raw materials for a full set pitch control system, and we may further agree to source higher proportion or all raw materials from our end for the orders to be placed by our largest customer in the second half year of 2020. Such an arrangement may increase our inventory level and in turn our inventory risk since it will increase the procurement cost for raw materials by at least 50% for each set of pitch control system. During the Track Record Period, we did not record any provision for impairment of inventories. Our average turnover days of inventories remained stable at 16 days for FY2017 and FY2018 and increased to 19 days for FY2019 and increased further to 63 days for 4M2020. Please refer to the section headed "Financial Information — Discussion of selected consolidated statements of financial position items — Inventories" in this prospectus for further details. Up to the Latest Practicable Date, RMB29.6 million or 100.0% of our inventories as at 30 April 2020 had been sold or utilised. If we fail to effectively manage the level of our inventories, we may experience a higher risk of inventory obsolescence, a decline in inventory value and significant inventory write-downs or write-offs. Any of the above circumstances may materially and adversely affect our financial condition and results of operations.

Labour shortages and increase in labour costs may have an adverse impact on our business operations.

Certain parts of our manufacturing and assembling process of pitch control systems such as component assembly, wiring and quality control inspections, have to be carried out manually. Our need for production personnel will increase in aligning with the expansion of our production capacity and increase in our production volume. Our other business segments such as wind power generation and wind farm operation and maintenance services are labour-intensive and requires significant manpower to operate. During the Track Record Period, our total staff costs amounted to RMB5.6 million, RMB10.9 million, RMB10.7 million and RMB3.9 million for each of FY2017, FY2018, FY2019 and 4M2020, respectively. Furthermore, labour costs have been increasing in the PRC in recent years. We cannot assure you that we will not experience any labour shortage for our production or solutions offering or that the labour costs in the PRC will not continue to increase in the future. If the labour costs continue to increase in the PRC, our costs of production or solutions offering will increase correspondingly and we may not be able to shift these extra costs to our customers due to competitive pricing pressures among our competitors.

If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate any increase in demand for our pitch control systems or wind power solutions offering. As a result, our business, business prospects, financial condition and results of operation would be materially and adversely affected.

We rely on key management personnel and highly skilled technical personnel and failure to retain our key management and technical personnel may adversely affect our results of operations.

Our key management team has extensive experience in the wind power industry. For example, Mr. Richard Cheng is an experienced entrepreneur in renewable energy and environmental protection industry for more than 15 years and Mr. Cliff Cheng has more than four years of experience in the wind power industry. Mr. Zhao Tongliang, the head of our technical and R&D team, has (i) over seven years of experience in the technical and R&D of pitch control systems; (ii) worked in the wind power solutions industry since September 2012; and (iii) participated in the R&D of various products and services which include, amongst others, our early-stage high-voltage pitch control system with its pitch drive controller procured from KEB Shanghai. Their expertise and industry knowledge enabled us to develop and offer wind power solutions which suit our customers' needs.

We cannot assure you that our key management personnel may stay with us in the future and it could be time consuming and difficult to find replacements for such personnel. If we fail to attract, hire, assimilate and retain competent and experienced management personnel, our business could be adversely affected.

Further, our continued success also depends on the contribution of our skilled technical personnel, such as our technical and R&D team and production team. If we are not able to recruit and retain highly skilled personnel with the required experience, our R&D and manufacturing capabilities may be adversely affected.

We may not have adequate insurance to cover all potential liabilities or losses.

Our main assets include, among others, wind turbines, mounting structures, transformers, transmission structures, interconnection infrastructure, external transmission structure to substations of the grid, pitch control systems and ancillary equipment including electrical output measurement meters and other equipment for the operation of the Duolun Wind Farm. Pitch control system manufacturing, wind power generation, wind farm operation and maintenance processes involve risks and hazards, such as natural disasters, environmental hazards, industrial accidents and equipment failures. These hazards can lead to substantial injury or death of persons or significant loss of property, and damage to the environment and suspension of operations. We may also face civil liabilities or fines as a result of damages suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws.

We have maintained insurances policies to cover certain risks associated with our business. For details, please refer to "Business — Insurance". During the Track Record Period, our total insurance expenses amounted to RMB0.07 million, RMB0.2 million, RMB0.2 million and RMB0.07 million for each of FY2017, FY2018, FY2019 and 4M2020, respectively. While our Directors believe that our Group's insurance coverage is adequate for our operations and is in line with industry practice, we cannot assure you that our insurance policies will insure us fully against all risks and losses that may arise in the course of our business. Furthermore, our insurance policies are subject to annual review by our insurers and we cannot assure you that we will be able to renew our insurance policies on similar or otherwise acceptable terms, or at all. If we were to incur a serious loss which is beyond the scope or significantly exceeded the limits of our insurance policies, our business and financial condition, operating results, and cash flows could be materially and adversely affected.

Our Group is exposed to cost implications and claims under our warranty services.

Although we generally did not offer warranty for our products prior to the end of 2019, we currently provide warranty of our pitch control systems for up to six years upon signing various framework agreements with our customers. During the period of our warranty services, we are subject to potential cost implications and warranty claims. We could be required to replace or repair the defects of our products at our own cost and compensate our customers in accordance with the framework agreements for losses or damages caused. We may also have to spend resources to defend ourselves in the event where claims or legal proceedings are instituted against us which may adversely affect our reputation. Even if we can make claims against our suppliers for the defective raw materials and key components supplied to us, we may not be able to fully recover the desired amount from our suppliers. Therefore, we may be required to bear the damages to our customers at our own costs and expenses and our reputation, business, financial condition and results of operations may be adversely affected. Although we did not incur any costs for warranty services and have not made any provision for warranty services during the Track Record Period, we cannot guarantee that there is no such costs to be incurred or no relevant provision needs to be made in the future.

We are subject to risks associated with changes in preferential tax treatment.

Our business operations in the PRC are subject to various taxes imposed by the PRC Government, which includes the current statutory PRC enterprise income tax rate of 25.0%, as determined in accordance with the relevant tax rules and regulations in the PRC. However, such tax rules and regulations in the PRC provide certain preferential tax treatments applicable to certain enterprises, industries and locations.

Some of our subsidiaries are currently taxed at preferential rates due to the nature of our business activities and/or the location of our operations. According to the Administrative Measures for Determination of High Tech Enterprises (Guokefahuo [2016] No. 32), Jiangyin Hongyuan obtained the qualifications as a National New High-tech Enterprise and was entitled to preferential income tax rate of 15% for the years from 2018 to 2020. In addition, pursuant to the Notice on the Executive of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (Caishui [2008] No. 46) (《關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》), wind farms of our Group, which were approved after 1 January 2008, are entitled to a tax holiday of a 3-year full exemption and followed by a 3-year 50% exemption commencing from the respective year in which its first operating income is derived. Meanwhile, according to the Notice on Tax Policy Issues concerning Further Implementing the Western China Development Strategy* (Caishui [2011] No. 58) (《關於深入實施西部大開發戰略有關稅收政策問題的通知》), enterprises in supported industries located in the western region of the PRC are entitled to a reduced income tax rate of 15% between 1 January 2011 and 31 December 2020, meaning that Datang Gucang was entitled to full exemption for the years from 2016 to 2018 and a preferential income tax rate of 7.5% for the years 2019 and 2020 and 12.5% for 2021. For FY2017, FY2018, FY2019 and 4M2020, our weighted average effective tax rate was 14.3%, 11.3%, 13.9% and 22.3%, respectively. The decrease in our weighted average effective tax rate in FY2018 was primarily due to various preferential tax treatment we enjoyed including (i) additional deductions for R&D expenses, which increased from RMB0.2 million for FY2017 to RMB1.0 million for FY2018 due to the increase in our R&D expenses, and (ii) the effect of PRC tax concessions obtained, which increased from RMB1.6 million for FY2017 to RMB4.1 million for FY2018. The increase in our effective tax rate in FY2019 was primarily due to Datang Gucang, wind farm of our Group, being entitled to a preferential income tax rate of 7.5% for 2019 instead of full exemption for 2018. The increase in our effective tax rate in 4M2020 was primarily due to Listing expenses of approximately RMB5.7 million being recorded for the same period, which was partially not tax deductible. Any change or elimination of such preferential tax treatments may materially and adversely affect our results of operations and financial condition.

RISK RELATING TO THE INDUSTRY

We operate in a highly competitive wind power industry and we may not be able to effectively compete with other industry players.

The wind power industry is highly competitive. According to the F&S Report, China's pitch control system market is rather concentrated after years of industry consolidation and the total number of pitch control system players is about 23 in China in 2018, with the top five players accounting for 71.3% of total sales volume in pitch control system market in the PRC in 2018. Our competitors are primarily pitch control system manufacturers and wind farm service providers in the PRC. We face intense competition from our competitors who regularly develop new wind power solutions and promptly integrate the latest technologies into their solutions offering.

If our competitors can allocate relatively more resources to R&D and develop more advanced and attractive wind power solutions faster than us, we may not be able to respond adequately and in a timely manner to cater for technological developments within the wind power industry as well as our customers' operational needs and requirements. Furthermore, we compete across a series of wind power solutions in terms of pricing, product and service quality, integration level, level of technology, design and manufacturing quality, as well as sales and technical support. If we lose our competitiveness in any of these aspects, our business will be adversely affected.

We also face strong price competition. If our competitors are relatively more sizeable and have more resources to maintain their pricing relatively lower to attract new customers or cause us to lose our existing customers, or to increase their market share, we could be under pressure to reduce the pricing of our pitch control systems and wind power solutions and our profitability will reduce.

Our future growth depends partly on the continued growth of the wind power industry. If this market growth becomes stagnant, our business will not further penetrate into existing or new markets.

Our pitch control systems and wind power solutions are reliant on the continued growth of the wind power industry. According to the F&S Report, the market size of the pitch control system market in the PRC in terms of sales value is expected to grow from RMB2,212.2 million in 2019 to RMB2,338.1 million in 2023 with a CAGR of 1.4%, which is mainly driven by the expected rising demand for wind turbines in the coming years. In particular, a peak of the current industry cycle is also anticipated in 2020 and 2021, amounting to RMB2,916.5 million and RMB3,067.8 million, respectively, as stimulated by the policy namely the Notice on Improving the Policy on On-grid Prices for Wind Power issued in 2019. If the growth rate of the wind power industry reduces or becomes stagnant, we could not continue to penetrate into these markets and increase our market share.

Wind power only accounted for a small market share in the electricity generation market in the PRC and there may not be sufficient demand for wind power generated electricity.

There are different kinds of energy sources in the electricity generation market in the PRC which electricity generated from wind power has to compete against, including both non-renewable energy sources (oil, coal, natural gas, nuclear, etc.) and renewable energy sources (solar power, hydropower, geothermal power, etc.). According to the F&S Report, (i) coal power provided 70.4% of China's electricity generation market in 2018, followed by hydropower, wind power, nuclear energy, and solar power, taking up 17.6%, 5.2%, 4.2%, 2.5% of China's electricity generation market in 2018, respectively; and (ii) the proportion of electricity generated by wind power of China's electricity generation market increased from 2.8% in 2014 to 5.2% in 2018.

Since electricity generated from wind power has historically only accounted for a small market share in the entire electricity generation market in the PRC and is relatively less popular than other energy sources, there may not be sufficient demand for wind power generated electricity in the PRC and therefore our Group's products and services, which include pitch control systems, electricity generated from wind power, wind farm operation and maintenance services and wind energy related consultancy services. As a result, our business operation, financial condition and results of operation may be materially and adversely affected.

The decreasing trend of the price of pitch control system per MW may adversely impact the business prospects and financial performance of pitch control system manufacturers in the PRC.

According to the F&S Report, with the development of domestic technology and maturation of the pitch control system market in the PRC, wind turbine manufacturers have gradually adopted a model of producing pitch control system by their direct or indirect subsidiaries or associated companies, which are pitch control system manufacturers, resulting in the price of the pitch control system experiencing a downward trend from RMB224.7 thousand per set in 2014 to RMB189.4 thousand in 2018, and the price of the pitch control system per MW from RMB127.1 thousand per MW in 2014 to RMB86.8 thousand in 2018. Going forward, the price of the pitch control system per MW would decrease slightly from RMB88.5 thousand per MW in 2019 to RMB87.5 thousand per MW in 2023 as a result of scale development, with a CAGR of –0.3%.

In the event that the price of pitch control system per MW decreases subsequent to the Track Record Period, the unit price of our pitch control systems may decrease and our pitch control system segment will experience a decrease in revenue unless the sales volume of our pitch control systems increases. We cannot guarantee that we will be able to secure sufficient purchase orders and/or sales agreements for pitch control systems from our customers to increase or sustain the level of revenue attributable to our pitch control system segment during the Track Record Period, or at all. If the revenue contribution of our pitch control system segment is not sustained at the level during the Track Record Period or decreases, this will have a material and adverse effect on our business prospects, results of operations and financial condition.

Renewable energy sources face competition from conventional energy sources.

Renewable energy sources compete with oil, coal, natural gas and other conventional energy sources. Factors such as the technological progression in the exploitation of energy sources other than wind power, or the discovery of large deposits of oil, gas or coal could increase the competitiveness of electricity generated from conventional energy sources. On the other hand, a reduction in the demand for energy from renewable sources could also have a material and adverse effect on our business, financial condition and results of operations.

The demand for wind power is dependent upon the overall demand for electricity in the PRC. If the overall demand for electricity declines due to an economic downturn in major markets, our business will be affected.

The demand for wind power is closely related to the overall demand for electricity. As the economy grows, economic activities such as industrial production and private consumption tend to grow, therefore increasing the demand for electricity. When the economy is in recession, however, such activities may decline, thereby decreasing the demand for electricity, including electricity generated from renewable sources.

If the economy of the PRC no longer grows, or declines, there may be a decrease in demand for electricity, including electricity generated from wind power. This would have a material and adverse effect on our business, results of operations and financial condition.

Our electricity generation business is localised in Inner Mongolia and largely depends on the local economy and demand for wind power generated electricity.

We commenced our wind power generation business in 2015 by operating the Duolun Wind Farm in Inner Mongolia, which is a favourable geographical location for optimal wind turbine efficiency and accordingly, power generation efficiency. Please refer to "Business — Our business model — Wind power generation" for further details.

Due to our electricity generation business during the Track Record Period being localised in Inner Mongolia and the electricity generated from the Duolun Wind Farm being supplied to the local power grid of the Local Power Grid Company, our electricity generation business largely depends on the local economy and demand for wind power generated electricity and any downturn or deterioration in the local economy or demand for wind power generated electricity will lead to a significant reduction in the demand for the electricity generated from wind power at the Duolun Wind Farm, which may have a material and adverse impact on our business operation, financial condition and results of operation.

If major breakthroughs in other renewable energy technologies result in these renewable energies being more viable and/or popular than wind power, or the utilisation of wind power is affected by the unpredictability of local weather conditions, demand for our pitch control systems and wind power solutions may be affected.

The cost and social effects of wind power may affect the demand for pitch control systems and wind power solutions. Wind power is currently considered to be a cost-competitive source of renewable energy, with improving technologies and decreasing costs of operation. However, in the event of improved cost competitiveness or major breakthroughs of other forms of renewable energy, such alternative forms of energy may become more attractive than wind power. According to the F&S Report, improved cost competitiveness or major breakthroughs of other forms of renewable energy include (but are not limited to): (i) for solar power, the conversion of low energy, non-visible light into high energy light in order to generate more electricity from the same amount of sunlight and the creation of solar modules with specialised materials that are more efficient and stable than conventional solar modules in energy conversion; (ii) for hydropower, the utilisation of marine and hydrokinetic technology to capture energy from the natural motion of ocean water and the development of modular hydropower which uses water currents to generate energy without impeding water-flow or disrupt neighbouring habitats; and (iii) for geothermal power, the adoption of power units which can operate on lower pressure to allow efficient conversion of geothermal power and the invention of technology which enables the mapping of submerged geological structure in order to determine inflow information essential for developing geothermal power generation facilities. Such improvements and breakthroughs have contributed to the demand for solar power, hydropower and geothermal power in the PRC, of which the contribution to China's total electricity generation increased from 0.4% to 2.5%, decreased from 18.7% to 17.6% and remained below 0.01% between 2014 to 2018, respectively, according to the F&S Report, compared to the contribution of wind power to China's total electricity generation which increased from 2.8% to 5.2% between the aforesaid period. Since improved cost competitiveness or major breakthroughs of other forms of renewable energy may reduce the cost of generating and transmitting electricity and increase their cost-efficiency and popularity among end-users, such improvements and breakthroughs may render other forms of renewable energy more viable and cost-efficient than wind power in the PRC. Accordingly, the demand for wind power may reduce significantly, which may also reduce the demand for components of wind turbines such as pitch control systems and our business, business prospects, financial condition and results of operation as a market participant in the wind power industry supply chain may be materially and adversely affected as a result.

Further, the amount of electricity generated via wind power depends significantly on local weather conditions. As the conditions and availability of wind resources may change, the effective generation of wind power may be affected. This may result in a shift in demand towards other forms of renewable energy, such as solar, geothermal and tidal. If any of the above factors take place, the wind power industry may be adversely affected and this may have a material and adverse effect on our business prospects, results of operations and financial condition.

The lack of wind power infrastructure and favourable geographical conditions may restrict or otherwise affect the availability of our wind power solutions and therefore affect our ability to maintain or increase our historical level of operations, and the timing of revenue recognition from those operations.

Sites for wind farms are selected primarily with reference to the availability of wind resources. Wind farms (such as the Duolun Wind Farm located in Inner Mongolia) are typically far from major cities, making it difficult to transmit electricity to the major markets where demand for electricity is higher. To transmit electricity to areas of high electricity demand in the PRC, it is necessary to construct more grid infrastructure, including (but not limited to) maintenance facilities, electricity supply, roads and drainage, etc. Such infrastructure is expensive and has a large geographical span, therefore the construction of wind farms requires adequate investment in and centralised planning of supporting grid infrastructure. The lack of grid infrastructure may restrict or otherwise affect the development of the wind power industry, particularly the development, operation and construction of wind farms by industry players along the wind power industry value chain. This may have a material and adverse effect on our ability to maintain or historical level of operations and the timing of revenue recognition from those operations.

RISKS RELATING TO THE PRC

Political and economic policies of the PRC Government could affect our business.

Before its adoption of the economic reforms and open policy in late 1970s, the PRC had been primarily a planned economy. With the commencement of the PRC Government's effort to reform the Chinese economy in 1978, the PRC Government introduced changes to its economic system, as well as the government structure. These reforms have led to significant economic growth and progress in social development. Due to a series of economic stimulus policies such as the "Decision on Accelerating the Cultivation and Development of Strategic Emerging Industries" (《關於加快培育和發展戰略性新興產業的決定》), the real GDP in the PRC has been growing moderately over the past five years. Although the PRC Government still owns a significant portion of the productive assets in the PRC, economic reform policies have placed much emphasis on creating autonomous enterprises and the utilisation of market mechanisms. Factors that may cause the PRC Government to modify, delay or even discontinue the implementation of certain reform measures include political changes and political instability and such economic factors as changes in rates of national and regional economic growth, unemployment and inflation.

Our Directors anticipate that the PRC Government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bringing positive effect on our overall and long-term development. Any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With our business and operations substantially based in the PRC, our operations and financial results could be adversely affected by the restrictive or austere policies introduced by the PRC Government. We may not be able to capitalise on economic reform measures adopted by the PRC

Government. We cannot assure you that the PRC Government will not impose economic and regulatory controls that may adversely affect our Group's business, financial position and results of operations.

Introduction of new laws or changes to existing laws by the PRC Government may adversely affect our business.

Our business and operations in the PRC are governed by the legal system of the PRC. The legal system in the PRC is a civil law system based on written statutes. Under this system, prior court decisions may be cited for references but do not have binding precedential effect. Accordingly, the outcome of dispute resolutions may not be consistent or predictable as in other common law jurisdictions.

Interpretation and enforcement of the PRC laws and regulations, including those regulating the wind power industry and foreign investments may be subject to changes in policies and political environment. Different regulatory authorities may have different interpretation and enforcement of the wind power industry policies and foreign investment policies, which require companies to meet the policies requirements issued by relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies. If there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industries we are currently engaged in. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet such new rules and requirements relating to approval, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend operations of or closure of the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, since the PRC economy is developing at a faster pace than its legal system and the PRC laws and regulations regarding the wind power industry and foreign investments are relatively new and evolving, there may be uncertainties as to whether and how existing laws and regulations will apply to certain circumstances or events, and until the development of the legal system is kept abreast of economic reforms and development in the PRC, such uncertainties are likely to remain. We cannot assure you that introduction of new laws and amendments to existing laws by the PRC Government may not adversely affect our profitability and prospects. For details of some of the relevant PRC laws and regulations to which our Group is currently subject, please refer to "Regulatory overview — Regulations related to electronic power" in this prospectus.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

RMB is not currently a freely convertible currency and our Group needs to convert RMB into foreign currency for payment of dividends, if any, to Shareholders. Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises ("**FIEs**") are required to apply to SAFE or its local branches for foreign exchange registration.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payment are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

Furthermore, in 2005, the PRC revalued the exchange rate of the RMB to the US dollars and abolished the RMB to peg solely to the US dollars as applied in the past. Instead, it is pegged against a basket of currencies which can rise or drop by as much as 0.3% each day. We cannot assure you that in the future the PRC will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industries in which our Group operates, which could in turn affect the financial condition and operations of our Group.

All of our revenue, expenses and bank loans during the Track Record Period are denominated in Renminbi. However, we cannot guarantee that our financial portfolio will be free from any foreign currencies denominated securities or investments in the future.

The global financial crisis in 2008 has adversely affected the United States, the European countries and other world economies. Although there are signs of recovery in the global and the PRC economy, there can be no assurance that any such recovery is sustainable. The ongoing uncertainties in the global investment environment may cause fluctuations in exchange rates which may in turn adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate or the value of US dollars may lead to an unfavourable exposure to foreign exchange losses, which could in turn materially and adversely affect our financial condition and results of operations.

Distribution and transfer of funds may be subject to restrictions under the PRC law.

Our Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in the subsidiaries. Our Company relies entirely on the dividend payments from our subsidiaries.

Under the PRC laws, dividends from our subsidiary in the PRC may only be paid out of distributable after-tax profit, less any recovery of accumulated losses and allocations to statutory funds which are not available for distribution as cash dividends. WFOEs in the PRC, like our PRC subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. Any distributable profit that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profit under PRC accounting principles is different in many respects from Hong Kong accounting principles.

Distributions by our subsidiaries in the PRC to our Company may be subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulations and taxation. These requirements and restrictions may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by PRC governmental authorities. These limitations on the free flow of funds between our Company to subsidiaries in the PRC could restrict our ability to act in response to changing market conditions in a timely manner. Furthermore, members of our Group may obtain credit facilities from banks in the future which restrict them from paying dividends to their shareholders, which may have an adverse impact on their ability to pay dividends to their shareholders.

PRC tax law may effect tax exemptions on dividends received by our Company and Shareholders and increase our enterprise income tax rate.

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiaries through a number of subsidiaries incorporated in BVI and the PRC. The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules came into effect on 1 January 2008 and were last amended on 29 December 2018 and 23 April 2019 respectively. If our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. Any new enactment of PRC tax law affecting tax exemptions on dividends may reduce the amount of dividends that could be distributed to our Company and Shareholders.

In addition, the PRC Enterprise Income Tax Law provides that, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to statutory enterprise income tax at the rate of 25% on its worldwide income. Since the actual management unit of our Group is an enterprise incorporated in the PRC, we may be deemed as a PRC tax resident enterprise and therefore subject to a statutory enterprise income tax rate of 25% on our worldwide income, excluding the dividends received directly from another PRC tax resident. As a result of these changes described above, our historical operating results will not be indicative of our operating results for future periods and the value of the Shares will be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering.

In addition, we cannot assure you that our Shares will be traded in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices of our Shares may be volatile, which could result in substantial losses to you.

The trading prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other market participants in the wind power or other renewable energy industries in the PRC may affect the trading price of our Shares. Various broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be not more than eight business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

The Shares owned by our Controlling Shareholders are subject to certain lock-up periods. For details, please refer to "Underwriting — Underwriting arrangements and expenses — Undertakings given to the Stock Exchange pursuant to the Listing Rules" and "Underwriting — Underwriting arrangements and expenses — Undertakings to the Hong Kong Underwriters" in this prospectus. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Joint Global Coordinators (on behalf of the International Underwriters), exercises the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority Shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Companies Law is set out in Appendix III to this prospectus.

Certain statistics and forecasts in this prospectus were derived from third party sources and have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from official government sources and publications or other sources and we cannot guarantee neither the quality nor the reliability of such source material. They have not been prepared or independently verified by us, the Sole Sponsor, the Underwriters or any of its or their respective affiliates or advisers, and therefore we take no representation as to the accuracy of such facts and statistics. In addition, the section headed "Industry overview" of this prospectus contains certain forecast data which were based on certain assumptions which, by their nature, are subjective and uncertain. We cannot guarantee the accuracy or adequacy of such assumptions and accordingly, the forecast data. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place, on such facts, statistics and forecasts in this prospectus.

There are risks associated with the forward-looking statements contained in this prospectus.

This prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group, which are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus.

You should not rely on any information contained in press articles or other media regarding our Group and the Global Offering.

Prior to the publication of this prospectus, there may be certain press and media coverage regarding our Group and the Global Offering which may include certain information relating to business operations, financial information, industry comparisons and other information about our Group that does not appear in this prospectus. We did not authorise the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any investment decision.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on basis and assumptions that are fair and reasonable.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in this Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attaching to them). It is emphasised that none of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Global Offering accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription for, purchase, holding or disposing of, dealing in our Shares, or the exercise of any rights attaching to our Shares.

Issuer	China Nature Energy Technology Holdings Limited 中國納泉能源科技控股有限公司
The Global Offering	The Global Offering of initially 62,500,000 Shares comprising (i) 6,250,000 new Shares for subscription by the public in Hong Kong (subject to reallocation) and (ii) initially 56,250,000 new Shares for subscription under International Placing (subject to reallocation and the Over-allotment Option). If the Over-allotment Option is exercised in full, our Company will be issuing up to 9,375,000 additional new Shares.
Offer price range	Not more than HK$2.60 per Share and not less than HK$2.00 per Share
Share borrowing arrangements in connection with settlement	The Stabilising Manager or any person acting for it may borrow from Hongyuan BVI up to 9,375,000 Shares (assuming the Over-allotment Option is exercised in full).
Over-allotment Option	Up to 9,375,000 additional new Shares to by issued by our Company
Procedure for application for Hong Kong Public Offer Shares	Please refer to "How to apply for the Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.
Conditions of the Hong Kong Public Offering	Details of the conditions of the Hong Kong Public Offering are set out in "Structure and conditions of the Global Offering — Conditions of the Global Offering" in this prospectus.

Lock-up undertakings by our Company and the Controlling Shareholders	See "Underwriting — Underwriting arrangements and expenses — Undertakings given to the Stock Exchange pursuant to the Listing Rules" and "Underwriting — Underwriting arrangements and expenses — Undertakings to the Hong Kong Underwriters" in this prospectus.
Share register	Our principal register of members will be maintained by our Company's principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong.
Stamp duty	Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares. Transfers of the Shares registered on our principal register of members in Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.
Application for listing on the Stock Exchange	Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue. No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Restrictions on offers and offers for sale

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Eligibility for CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Language

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

Rounding of figures	In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place and figures in this prospectus are in approximate figures. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.
Exchange rate	For the purpose of illustration only and unless otherwise specified in this prospectus, the following exchange rates are adopted: RMB1.00 = HK$1.1124 HK$1.00 = RMB0.8990 No representation is made that the relevant amounts in any particular could have been, or could be, converted into such other currencies or vice versa at such rates or at any other rate on such date or on any other date.
Commencement of dealing in the Shares	Dealings in our Shares on the Main Board are expected to commence at 9:00 a.m. (Hong Kong time) on Tuesday, 20 October 2020. Shares will be traded in board lots of 1,000 Shares each.

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provision of the Listing Rules:

RULES 3.28 AND 8.17 WAIVER IN RESPECT OF QUALIFICATION OF COMPANY SECRETARY

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Pursuant to Rule 3.28 of the Listing Rules, we must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary of our Company. The Notes to Rule 3.28 of the Listing Rules further provide that:

(a) the Stock Exchange considers the following academic or professional qualifications to be acceptable:

  (i) a Member of The Hong Kong Institute of Chartered Secretaries;

  (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong); and

  (iii) a certified public accountant (as defined in the Professional Accountants Ordinance, Chapter 50 of the Laws of Hong Kong).

(b) in assessing "relevant experience', the Stock Exchange will consider the individual's:

  (i) length of employment with the issuer and other issuers and the roles he played;

  (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance and the Takeovers Code;

  (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

  (iv) professional qualifications in other jurisdictions.

We have appointed Mr. Pan Honghuang as one of our joint company secretaries. Mr. Pan joined our Group on 1 July 2019 as the assistant of chairman and secretary to the board of Jiangyin Hongyuan and has been responsible for attending to company secretarial matters of our Group. He has a thorough understanding of the business operation, internal administration and corporate culture of our Group. However, Mr. Pan does not satisfy the appointment qualifications strictly set out under Rule 3.28 of the Listing Rules. Therefore, we have appointed Ms. Tang Wing Shan Winza, who possesses the qualifications required under Rules 3.28 and 8.17 of the Listing Rules, to be the other joint company secretary. Ms.

Tang Wing Shan Winza will provide assistance to Mr. Pan for an initial period of three years from the Listing Date so as to fully satisfy the requirements set out under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Tang Wing Shan Winza will work closely with Mr. Pan to jointly discharge their duties and responsibilities as our joint company secretaries and will provide assistance to Mr. Pan to acquire the relevant experience set out under Rule 3.28 of the Listing Rules. In addition, we will ensure that Mr. Pan has access to the relevant training and support to enable him to familiarise himself with the Listing Rules and other applicable laws and regulations as well as the duties required of a company secretary of a company listed on the Stock Exchange.

We have submitted our application to the Stock Exchange, and the Stock Exchange has granted a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, subject to the condition that our Company engages Ms. Tang Wing Shan Winza, who satisfies the requirements under Rules 3.28 and 8.17, as a joint company secretary and who will assist Mr. Pan in discharging his functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules, throughout the three-year period from the Listing Date. The waiver will be revoked immediately when Ms. Tang Wing Shan Winza, during the three-year period, ceases to provide assistance to Mr. Pan Honghuang or when there are material breaches of the Listing Rules by our Company. Prior to the end of the three-year period, we shall liaise with the Stock Exchange and the Stock Exchange will re-visit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange's satisfaction that Mr. Pan, having had the benefit of Ms. Tang Wing Shan Winza's assistance for three years, would have acquired the relevant experience under Rules 3.28 and 8.17 of the Listing Rules, so that a further waiver would not be necessary.

RULE 8.12 WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that two of its executive directors must be ordinarily resident in Hong Kong.

The principal business operations, offices and branches of our Group are primarily located, managed and conducted in the PRC and substantially all of our Company's senior management members are and will therefore continue to be based in the PRC. For the purpose of the Listing, our Company has established a principal place of business in Hong Kong in January 2020 and was registered as a non-Hong Kong company under Part XVI of the Companies Ordinance on 25 February 2020. However, save for Mr. Richard Cheng, the chairman of the Board and an executive Director, and Mr. Yip Chun On, one of the three independent non-executive Directors, who are Hong Kong residents, none of the other Directors is ordinarily resident in Hong Kong or otherwise based in Hong Kong. The appointment of an additional executive Director to reside in Hong Kong or the relocation of Mr. Cliff Cheng, an executive Director who is currently ordinarily resident in the PRC, to Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness and responsiveness of the decision-making process of the Board, especially when business decisions are required to be made within a short period of time. In view of the above, our Company currently does not, and in the foreseeable future will not, have a sufficient number of executive Directors who are ordinarily resident in Hong Kong.

As such, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. Our Company will put in place the following measures in order to ensure regular communication is maintained between the Stock Exchange and our Company:

(a) we have appointed Mr. Richard Cheng, the chairman of the Board and an executive Director, together with Ms. Tang Wing Shan Winza, one of the joint company secretaries of our Company, both of whom are ordinarily resident in Hong Kong, as the two authorised representatives of our Company pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. Each of the authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange and will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or email;

(b) each of our authorised representatives will have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board on any matters;

(c) to enhance communication between the Stock Exchange, our authorised representatives and our Directors, we have implemented a policy whereby (i) our Directors would provide their contact details in the form as prescribed by the Stock Exchange; (ii) each of our Directors and authorised representatives will provide his or her updated office telephone number, mobile telephone number, facsimile number and email address to the Stock Exchange; and (iii) in the event that a Director expects to travel, he will endeavour to provide the phone number of the place of his accommodation to the authorised representatives or maintain an open line of communication via his mobile phone;

(d) each of our Directors who is not ordinarily resident in Hong Kong has confirmed that he or she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to meet with the Stock Exchange on reasonable notice, when required; and

(e) our Company shall promptly inform the Stock Exchange of any changes to the authorised representatives.

In addition, we have appointed Fortune Financial Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will also act as an additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which the Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules. Our Company will inform the Stock Exchange promptly in the event of any change of the compliance adviser in accordance with the Listing Rules.

Furthermore, our Company will retain legal advisers to advise on on-going compliance requirements as well as other issues arising from the Listing Rules and other applicable laws, rules, codes and guidelines of Hong Kong after the Listing Date.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Cheng Liquan Richard (程里全)	Flat A, Floor 16, Tower 1 Marinella, 9 Welfare Road Wong Chuk Hang Hong Kong	Canadian
Cheng Li Fu Cliff (程里伏)	Room 204, Building 27 Wenhuaxin Village Yuecheng Town, Jiangyin City Wuxi, Jiangsu Province the PRC	Canadian
Non-executive Directors		
Wang Lubin (王魯彬)	Room 401, Unit 1, Building 13 Huajingyuan Wanda Square Weiyi Road, Tianqiao District Ji'nan, Shandong Province the PRC	Chinese
Li Hao (李浩)	Room 801, Elevator 3 Building 4, No. 1 Panhuxi Road Mingyueshanxi Avenue Wenquan Town Conghua, Guangdong Province the PRC	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Yip Chun On (葉俊安)	Flat 515, 5/F, Block G Kornhill, 5 Hong Shing Street Quarry Bay Hong Kong	Chinese
Kang Jian (康健)	Room 501, Unit 3, Building 7 Zone 1, East Market South Lane Dongcheng District Beijing, the PRC	Chinese
Li Shusheng (李書升)	Room 805, Building 9 Jinri Jiayuan Community 5 Xicui Road Haidian District Beijing, the PRC	Chinese

For detailed information of our Directors, please refer to "Directors and senior management" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Fortune Financial Capital Limited** 43/F Cosco Tower 183 Queen's Road Central Hong Kong *(a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO)*
Joint Global Coordinators	**Essence International Securities (Hong Kong) Limited** 39/F One Exchange Square Central Hong Kong *(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*
	Fortune (HK) Securities Limited 43/F Cosco Tower 183 Queen's Road Central Hong Kong *(a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities under the SFO)*
	Guosen Securities (HK) Capital Company Limited Suites 3207–3212, 32/F One Pacific Place 88 Queensway Hong Kong *(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
Joint Bookrunners and Joint Lead Managers	**Essence International Securities (Hong Kong) Limited** 39/F One Exchange Square Central Hong Kong *(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)*

Fortune (HK) Securities Limited
43/F Cosco Tower
183 Queen's Road Central
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities under the SFO)

Guosen Securities (HK) Capital Company Limited
Suites 3207–3212, 32/F
One Pacific Place
88 Queensway
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

BOCOM International Securities Limited
9th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 5 (advising on future contracts) regulated activities under the SFO)

Elstone Securities Limited
Suite 1601–04, 16/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)

Kingkey Securities Group Limited
44/F Convention Plaza Office Tower
1 Harbour Road
Wan Chai, Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)

Koala Securities Limited
Units 01–02
13/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)

Shanxi Securities International Limited
Unit A, 29/F Tower 1
Admiralty Center
18 Harcourt Road
Admiralty
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) regulated activities under the SFO)

SPDB International Capital Limited
33/F
SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Hong Kong Underwriters

Essence International Securities (Hong Kong) Limited
39/F
One Exchange Square
Central
Hong Kong

Fortune (HK) Securities Limited
43/F Cosco Tower
183 Queen's Road Central
Hong Kong

Guosen Securities (HK) Capital Company Limited
Suites 3207–3212, 32/F
One Pacific Place
88 Queensway
Hong Kong

BOCOM International Securities Limited
9th Floor
Man Yee Building
68 Des Voeux Road Central
Hong Kong

Elstone Securities Limited
Suite 1601–04, 16/F
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Kingkey Securities Group Limited
44/F Convention Plaza Office Tower
1 Harbour Road
Wan Chai, Hong Kong

Koala Securities Limited
Units 01–02
13/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Shanxi Securities International Limited
Unit A, 29/F Tower 1
Admiralty Center
18 Harcourt Road
Admiralty
Hong Kong

SPDB International Capital Limited
33/F
SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Legal advisers to the Company

As to Hong Kong law
Deacons
5th Floor
Alexandra House
18 Chater Road
Central
Hong Kong

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

As to PRC law
Tian Yuan Law Firm
10/F, Tower B, China Pacific Insurance Plaza
28 Fengsheng Lane
Xicheng District, Beijing
PRC

Legal advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law
Iu, Lai & Li Solicitors and Notaries
Rooms 2201, 2201A & 2202
22nd Floor, Tower I
Admiralty Centre
18 Harcourt Road
Hong Kong

As to PRC law
Han Kun Law Offices
33/F, HKRI Center Two
HKRI Taikoo Hui
288 Shimen Road (No. 1), Shanghai
PRC

Auditors and reporting accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Industry consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 1018, Tower B
No. 500 Yunjin Road
Shanghai
PRC

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business and headquarters in China	No. 95 Yueshan Road Yuecheng Town Jiangyin City Jiangsu Province China
Place of business in Hong Kong	Room 2104, 21st Floor Global Trade Square 21 Wong Chuk Hang Road Wong Chuk Hang, Hong Kong
Company's website	**www.jyhyne.com** *(information contained in this website does not form part of this prospectus)*
Joint company secretaries	Mr. Pan Honghuang Room 310, Building 26 West Dingfuzhuang Street Chaoyang District Beijing China Ms. Tang Wing Shan Winza *(an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators))* 46F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

Authorised representatives *(for the purpose of the Listing Rules)*	Mr. Cheng Liquan Richard Flat A, Floor 16, Tower 1 Marinella 9, 9 Welfare Road Wong Chuk Hang Hong Kong Ms. Tang Wing Shan Winza 46F, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Audit Committee	Mr. Yip Chun On *(Chairman)* Mr. Li Shusheng Mr. Kang Jian
Remuneration Committee	Mr. Li Shusheng *(Chairman)* Mr. Cheng Liquan Richard Mr. Yip Chun On
Nomination Committee	Mr. Cheng Liquan Richard *(Chairman)* Mr. Yip Chun On Mr. Li Shusheng
Compliance adviser	**Fortune Financial Capital Limited** 43/F Cosco Tower 183 Queen's Road Central Hong Kong *(a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO)*
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

Principal banker(s)	**China Construction Bank, Jiangyin Shengang Branch** No. 225–229, Shenpu Road Jiangyin City Jiangsu Province PRC
	Agricultural Bank, Jiangyin Yuecheng Branch No. 4 Wolong Street Yuecheng Town Jiangyin City Jiangsu Province PRC

The information presented in this section, unless otherwise indicated, is derived from various official governmental publications, publicly available sources and the market research report prepared by Frost & Sullivan, which was commissioned by the Company. The Company believes that the information in this section has been derived from appropriate sources and has taken reasonable care in extracting and reproducing the information. The Company has no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by the Company or any of its respective directors, officers or representatives or any other party involved in the Global Offering (except Frost & Sullivan) nor is any representation given as to its accuracy, completeness, correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

The Company has commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the wind power pitch control system market in China. The report prepared by Frost & Sullivan for the Company is referred to in this prospectus as the F&S Report. The Company paid Frost & Sullivan a fee of RMB400,000 which the Company believes reflects market rates for reports of this type. The Company is of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the F&S Report.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

The F&S Report includes information on wind power pitch control system market in China and other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the target market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications.

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following primary assumptions: (i) China's economy is expected to grow at a steady rate supported by favourable government policies as well as global economic recovery, among other factors; and (ii) China's social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of wind power pitch control system market and the wind power market as a whole in China.

OVERVIEW OF THE PRC ECONOMY AND POWER INDUSTRY IN CHINA

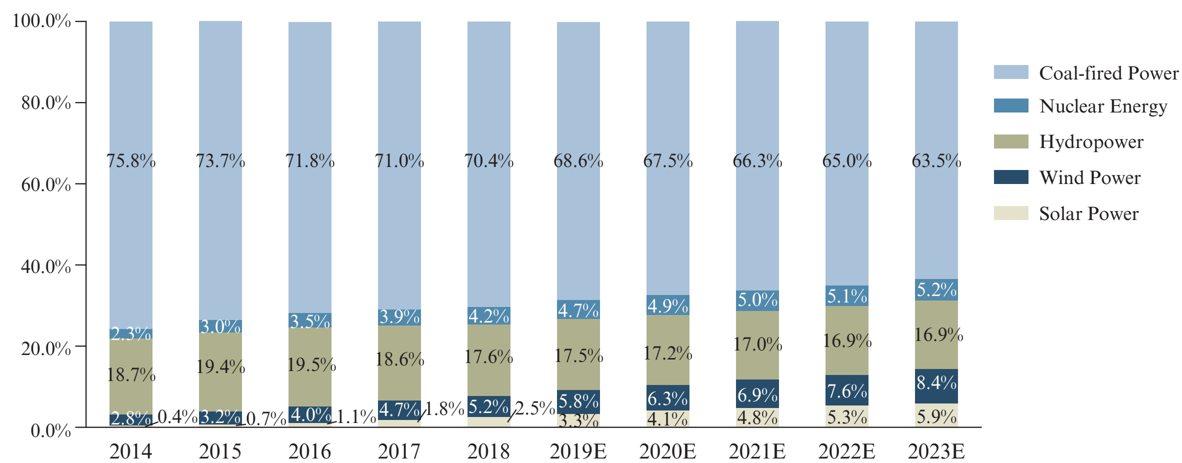
Due to a series of economic stimulus policies such as the Decision on Accelerating the Cultivation and Development of Strategic Emerging Industries (《關於加快培育和發展戰略性新興產業的決定》), the real GDP in China has been growing moderately over the past five years, increased from RMB65,398.5 billion in 2014 to RMB84,892.6 billion in 2018, with a CAGR of 6.7%. Driven by the variation in economic development pattern, along with the industry upgrade and supply-side structural reform, it is estimated that real GDP in China would continue growing at a CAGR of 5.9% from RMB90,212.7 billion in 2019 to RMB113,320.7 billion in 2023.

Power supply and demand

Along with the growth of economy of China, the demand for electricity increases and electricity generation in China has been developing rapidly. Electricity generation in China grew stably from 5,649.6 TWh in 2014 to 7,111.8 TWh in 2018, representing a CAGR of 5.9%. Benefiting from the optimisation of the power supply structure, such as putting ultra-high voltage transmission channels into operation to increase wind power consumption capacity, electricity generation cost is reduced, and electricity generation efficiency has been continuously improved. As such, electricity generation in China is expected to grow from 7,716.3 TWh in 2019 to 10,546.6 TWh in 2023, demonstrating a CAGR of 8.1% between 2019 and 2023. Energy scarcity and environmental deterioration are major global concerns. It has been a long term goal and target of the Chinese Government to increase the contribution of renewable energy to total primary energy consumption of the PRC.

Electricity in China is produced with diverse energy sources, mainly including coal-fired power, nuclear energy, hydropower, wind power, and solar power. In 2018, coal-fired power provided 70.4% of China's electricity generation, followed by hydropower, wind power, nuclear energy, and solar power, taking up 17.6%, 5.2%, 4.2%, 2.5% respectively. Given it is evident that coal-fired power produces substantial pollutants, the PRC Government promulgated various policies to promote clean and renewable energy, and clean energies are expected to account for an increasing proportion of the energy source. The chart below demonstrates the trend of electricity generation attributable by different energy sources:

Electricity Generation by Different Energy Sources in China, 2014–2023E



Source: NEA, CEC, Frost & Sullivan

Note: Hydropower, wind power, and solar power are renewable energy, coal-fired power and nuclear energy are non-renewable energy.

Continuous demand for renewable energy and support from the PRC Government

Driven by the vigorous development of electricity generation by renewable energy policies, such as the 13th Five-year Plan for the Development of Renewable Energy (《可再生能源發展"十三五"規劃》) issued by the NDRC, and the improvement in economic benefit of renewable energy, the electricity generation by renewable energy in China increased from 1,284.3 TWh in 2014 to 1,867.0 TWh in 2018, growing at a CAGR of 9.8%. With the Chinese Government continuous support to renewable energy industry coupled with significant decreases in the cost of electricity generation, it is forecasted that the electricity generation by renewable energy would continue to grow from 2,091.1 TWh in 2019 to 3,319.7 TWh in 2023, demonstrating a CAGR of 12.2%.

OVERVIEW OF WIND POWER INDUSTRY IN CHINA

Although electricity generated from coal-fired power is currently the dominant energy source with the largest market share in relation to electricity generation in the PRC, the electricity generation industry in the PRC is shifting towards electricity generated from renewable energy sources with increasing levels of consumption and usage of such electricity. Wind power is a more attractive source of energy and has better prospects going forward in the PRC compared to alternative renewable energy sources since (i) according to the development trend of installed capacity of various energy sources, wind power, solar power and nuclear energy are the main energy sources with increasing market share in the installed capacity of power market in the PRC, which increased from 7.0% to 9.7%, 1.8% to 9.2% and 1.5% to 2.4% of China's total installed capacity of power between 2014 to 2018, respectively. Among them, wind power and solar power are renewable energy sources with higher sustainability in the future.

With the advancement of installed capacity technology and the popularisation of new energy, it is expected that the proportion of installed capacity of wind power and solar power in relation to China's total installed capacity of power will increase from 10.4% to 13.9% and 10.2% to 13.9% between 2019 to 2023, respectively; (ii) the costs of wind and solar power have experienced the largest downtrend compared to other energy sources (e.g. hydropower, bioenergy, geothermal power, etc.) over the past 10 years. In particular, the performance of wind power projects have largely improved as higher hub heights and larger swept areas harvest more electricity from a given resource compared to older technologies, which in turn reduced the total wind power project costs. Further cost reductions for solar and wind power technologies are set to continue to 2020 and beyond. It is estimated that onshore wind power and solar photovoltaic power will consistently offer cheaper electricity than the least-costly fossil fuel alternatives in the near future; and (iii) although solar power is currently the only competitive energy source compared to wind power according to the aforementioned reasons, wind power is currently more attractive than solar power because of (a) the longer available operational hours of wind turbines for wind power. Wind turbines can generate electricity throughout the day in suitable wind conditions, whereas solar panels can only generate electricity when there is sufficient light. As a result, in 2018, the average utilisation hours of a wind turbine for wind power and a solar panel for solar power were about 2000 hours and 1000 hours, respectively; and (b) wind turbines having a more efficient energy conversion rate compared to solar panels, since one wind turbine can generate the same amount of electricity per kWh as about 48,704 solar panels and the average energy conversion rates of wind turbines and solar panels are between 35–45% and 17–19%, respectively.

There is sufficient long-term and sustainable market demand in the wind power industry in the PRC due to (i) the continuous demand for renewable energy and support from the PRC Government driven by various policies in relation to electricity generated by renewable energy, the improvement in economic benefit of and the significant decrease in cost of electricity generation by renewable energy in the PRC; (ii) the continuous demand in wind power industry and support from the PRC Government evident from the preferential treatment to market participants in the wind power industry and the increase in investment of wind power infrastructures throughout the PRC; (iii) the evolution of the wind power industry in the PRC into a sustainable and viable market without being dependent on government subsidies; (iv) the relief of wind curtailment problems resulting from recent policies issued by the PRC Government and technological advancements; and (v) advancements of wind power related technology which enhance the efficiency of wind power generation.

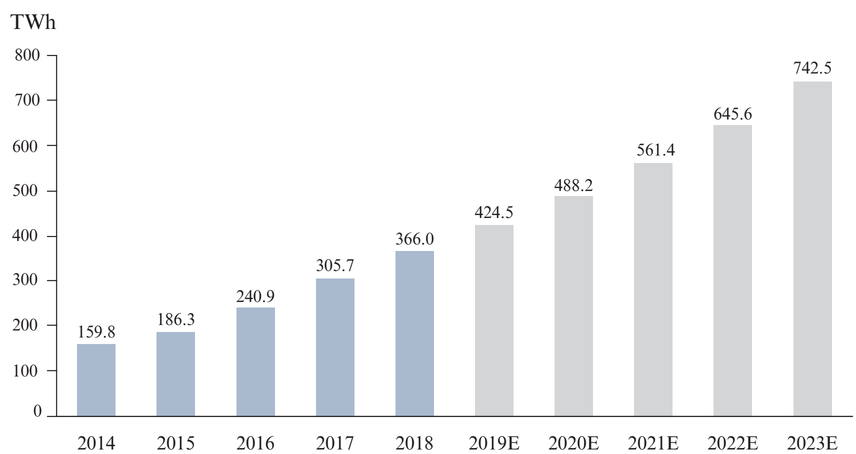
As a result, the demand for wind power supports the development of various wind power related markets, which include wind farm development and wind power generation, manufacturing of wind turbines and related devices, components and systems such as pitch control systems, wind farm operation and maintenance, wind power related consultancy services, etc.. Wind power related governmental policies and technological developments have common impacts on the aforesaid wind power related industries. Also, the profitability in the wind power industry is improving due to the relief of wind curtailment problems even in light of the upcoming subsidy reduction. Furthermore, it is expected that there would be steady investments in the wind power industry in the PRC and it will continue to be supported by favourable policies from the PRC Government in the long run, which would make the industry more sustainable and viable and generate a sufficient long-term demand for pitch control system accordingly.

For further details on the continuous demand for renewable energy and support from the PRC Government, please see "Industry Overview — Overview of the PRC economy and power industry in China — Continuous demand for renewable energy and support from the PRC Government" above. The demand of wind power in the PRC are also generally driven by the factors below:

(a) ***Continuous demand in wind power industry and support from the PRC Government:*** Since wind power is an important part of renewable energy, the Chinese Government continues to increase its investment in wind power infrastructures, such as power grids, distribution transformers, etc.. Therefore, electricity generation by wind power would continue to increase. It is expected that electricity generation by wind power would grow from 424.5 TWh in 2019 to 742.5 TWh in 2023, demonstrating a CAGR of 15.0% between 2019 and 2023. The chart below demonstrates the trend of the electricity generation by wind power in the PRC:

Electricity Generation by Wind Power in China, 2014–2023E

CAGR	2014-2018	2019E-2023E
Electricity Generation by Wind Power	23.0%	15.0%



Source: NEA, Frost & Sullivan

The proportion of electricity generated by wind power increased from 2.8% in 2014 to 5.2% in 2018 and it is expected that the proportion of electricity generated by wind power will be increased from 5.8% in 2019 to 8.4% in 2023. The proportion of electricity generated by wind power in relation to total electricity generated in the PRC increased from 2.8% in 2014 to 5.2% in 2018 and it is expected that the proportion of electricity generated by wind power will increase from 5.8% in 2019 to 8.4% in 2023. The wind power industry in the PRC has been developing rapidly, and it has become the fastest-growing country in the world in terms of installed capacity of wind power. From 2014 to 2018, the accumulated installed capacity of wind power in the PRC increased from 114.6 GW in 2014 to 209.5 GW in 2018, representing a CAGR of 16.3%.

As evident from the Notice on 2020 Wind Power Investment Monitoring and Warning Results (2020年度風電投資監測預警結果)) issued by the NEA in March 2020, although the Chinese Government adjusts the planning of wind power projects from time to time, such as the temporary suspension of approving wind power projects in certain areas including Xinjiang, Gansu, Chifeng of Inner Mongolia and Datong of Shanxi in 2020, it continues to promote wind power projects in the PRC as a whole with a shift to other areas for a more balanced distribution and establishment of wind power generation infrastructure and facilities.

Furthermore, the continuous support in the wind power industry from the PRC Government is shown from the China Wind Energy Roadmap 2050 (《中國風電發展路線圖2050》) issued by the NDRC and IEA, under which the Chinese Government has put both onshore wind power and offshore wind power on emphasis during 2021 to 2030.

Furthermore, during the Two Sessions of the PRC in 2020, proposals were put forward which may benefit the wind power industry in the PRC which include, but are not limited to, (i) the increase in the proportion of non-fossil energy consumption in the PRC to 25% and 50% of total energy consumption by 2030 and 2050, respectively; (ii) the implementation of solutions resolving time-lag issues in relation to the receipt of renewable energy subsidies by market participants; and (iii) the promulgation of policies to encourage the upgrades and maintenance of wind turbines currently in use. Although such proposals are not binding and are subject to the formal implementation of government policies by the relevant authorities, they demonstrate the continuous support of the PRC Government and market demand in the wind power industry in the PRC in the long run.

With technological advancement of wind power, support of the Chinese Government and declining wind curtailment rate, the accumulated installed capacity of wind power in China is expected to grow from 234.5 GW in 2019 to 353.3 GW in 2023, demonstrating a CAGR of 10.8%.

(b) ***Evolution of the wind power industry in the PRC into a sustainable and viable market:*** It is common for a new industry to require support from government policies at its early stage of development to encourage enterprises to participate in order to cultivate an industry to become sustainable and viable by reaching a breakeven point where the business becomes profitable, at this point such government policies will change in nature and focus on correcting externalities in such markets in order to optimise the efficiency of resource allocation without having a detrimental effect on the long-term development of the industry; and in relation to the wind power industry, the support from government policies at its early development stage is also prevalent in other countries such as England, Netherlands, Japan, South Korea, etc.

In relation to the wind power industry in the PRC, it has gradually become a profitable industry which is no longer wholly dependent on subsidies from the PRC Government through years of technological advancements and market innovation. As a result, the wind power industry in the PRC has matured and has become sustainable and viable in the long run, thus is expected to become more competitive and continue to encourage long-term investments. Such sustainability and viability is evident based on the following: (i) the large-scale development of wind power, rapid progress of technology, continuing decrease in the wind power development cost of wind power projects by 20% from 2012 to 2017 and the steady improvement of profitability of wind power projects as evident from Notice and Its Interpretation on Proactively Promoting the Grid Connection of Wind Power and Photovoltaic Power without Subsidies (關於積極推進風電、光伏發電無補貼平價上網有關工作的通知及解讀) issued by the NEA in 2019; (ii) wind power projects located in areas with sufficient wind resources, low constructions costs and good investment and market conditions being able to achieve on-grid price parity as the benchmark on-grid price for coal-fired power without the need of renewable energy tariff premiums; (iii) the PRC Government seeking to replace government subsidies with advancements in wind power generation infrastructure and facilities to promote higher quality development of renewable energy, which signifies the increasing maturity of the wind power industry in the PRC; (iv) wind power plays an increasingly important role in the Chinese energy consumption structure despite changes in government policies in the wind power industry in the PRC. According to the NEA, wind power has taken up an increasingly larger proportion of total electricity generated in the PRC, from 2.8% in 2014 to 5.2% in 2018. Furthermore, the wind power industry in the PRC has been developing rapidly, and the PRC has become the fastest-growing country in the world in terms of installed capacity of wind power. From 2014 to 2018, the accumulated installed capacity of wind power in the PRC increased from 114.6 GW in 2014 to 209.5 GW in 2018, representing a CAGR of 16.3%; (v) the PRC Government continues to implement supportive policies for the wind power industry, such as Notice on Building and Improving the System of Ensuring the Renewable Energy Consumption (關於建立健全可再生能源電力消納保障機制的通知), and The Action Plan of Clean Energy Consumption (2018–2020) (清潔能源消納行動計劃 (2018–2020年)); and (vi) technological advancements in the wind power industry, such as the development of smart-grid technology, will increase the efficiency and profitability of wind farm operations in the PRC even without government subsidies.

(c) ***Periodical fluctuations of newly installed capacity of wind power in the PRC:*** In the past decade, the wind power market has experienced periodical fluctuations, with intervals of four to five years. Please refer to following chart of the newly installed capacity of wind power in the PRC from 2007 to 2018, with forecast up to 2023 for reference.

The development of the wind power industry in the PRC began since wind power was listed as one of the six key development areas according to the Medium-and Long-term Plan for Renewable Energy Development《可再生能源中長期發展規劃》issued in August 2007, and it was further stipulated in the 11th Five-year Plan for the Renewable Energy Development《可再生能源發展"十一五"規劃》 in March 2008 that the development and industrialisation of the wind power industry in the PRC will be driven by the large-scale construction of wind farms.

In July 2009, the NDRC issued the Notice on Improving the Policy on On-grid Prices for Wind Power Generation 《關於完善風力發電上網電價政策的通知》to set a fixed benchmark on-grid price for each region, which unified wind power prices in the PRC, further standardised the management of wind power prices, provided wind power project companies with clear and expected returns and played an important guiding role in the development and utilisation of wind power resources in the PRC. As a result, the newly installed units of wind power in the PRC doubled for five consecutive years during the "11th Five-year" period and the PRC achieved rank one globally in terms of cumulative installed capacity of wind power at 44.7 GW in 2010.

However, due to the nationwide intensification of wind curtailment problems since 2010 with the wind curtailment rate in 2012 peaking at 17.12%, the growth rate of newly installed capacity of wind power dropped to its lowest point in history and the wind power industry has transitioned from a high-growth period into a depression period.

In order to provide orderly guidance to the development of the wind power industry, the PRC Government has published various incentivising policies. For example, the Notice on the Requirements for Strengthening Wind Power Grid Connection and Consumption《關於加強風電併網和消納工作有關要求的通知》issued in June 2012 ensured the accomplishment of grid connection of wind farms and wind power consumption. Furthermore, the renewable energy tariff premium was raised twice in 2012 and 2013 in order to compensate the increasing mismatch between subsidies and funding.

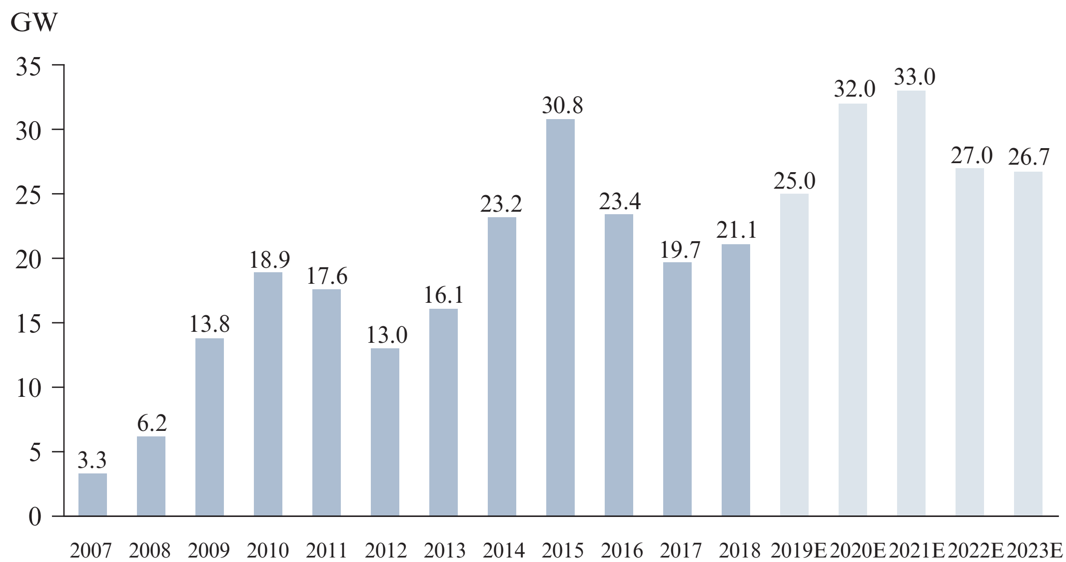
The Notice on Improving the Policy on Benchmark On-grid Prices for Onshore Wind Power and Photovoltaic Power Generation Projects《關於完善陸上風電光伏發電上網標桿電價政策的通知》issued in December 2015 decreased the benchmark on-grid prices for (i) onshore wind power projects newly approved after 1 January 2016 that started construction within two years; and (ii) onshore wind power projects approved before 2016 but have not yet started construction at the end of 2017, which stimulated wind power projects developed before 1 January 2016.

After the surge in installation of wind power units in 2015, the newly installed capacity of wind power decreased significantly in 2016 and the wind curtailment rate also reached 17.0%. The NEA established the wind power investment monitoring and early warning mechanism in July 2016 which labelled regions that have failed to meet the annual development and construction scale as "red warning regions", resulting in the suspension of the approval of new local wind power projects in such regions and the further decrease in the industry growth rate.

As domestic policies continued to increasingly support the wind power industry in the PRC since 2017, wind curtailment problems have consistently improved and "red warning regions" were gradually lifted. In 2018, the NEA adjusted Inner Mongolia and Heilongjiang from "red warning regions" to "orange warning regions", whereas Ningxia was adjusted to "green region".

According to the Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》) issued in May 2019 with an effective date in July 2019, the Chinese Government proposed that in order to scientifically and reasonably guide investments in renewable energy and promote the healthy and sustainable development of the wind power industry, government subsidy on onshore wind power would be phased out. In particular, there would be no subsidy on onshore wind power projects which have not accomplished grid connection before the end of 2021, and that offshore wind power projects which have not accomplished grid connection before the end of 2021 would adopt the guidance on-grid price for wind power for the year of grid connection. Hence, it is expected that this policy would stimulate a large number of enterprises to complete the construction of wind power projects in advance before the end of 2021 to enjoy the preferential policy. Therefore, it is projected that there will be a great demand for wind turbines, therefore the sales value of wind turbines is estimated to rise and reach RMB117.4 billion in 2020 with a growth of 30.6% from 2019 to 2020 and RMB121.6 billion in 2021 with a growth of 3.6% from 2020 to 2021. However, after that, as government subsidies on onshore wind power projects would be phased out after 2021, the wind turbine market size in the PRC is expected to decline for a short period of time because of previous pre-construction and the reduction of government subsidies, decreasing to RMB95.1 billion by 2023, resulting in a CAGR of 1.4% from 2019 to 2023 as a whole.

The Periodical Fluctuations of Newly Installed Capacity of Wind Power in the PRC, 2007–2023E



Source: CWEA, Frost & Sullivan

The market trends of the wind turbine industry and pitch control system industry in the PRC is expected to correspond with such trend. As shown in the periodic fluctuations from 2019 to 2023, such periodic fluctuations are primarily due to the release of policies by the Chinese Government, in particular, policies on adjustments to on-grid price and subsidies from time to time. When a particular policy is announced to adjust the on-grid price and/or subsidies to be effected within a limited time, it would generally stimulate enterprises to start or accomplish wind power projects during the period in order to enjoy the preferential policy, resulting in a significant increase in newly installed capacity during the corresponding period, and an eventual decrease in newly installed capacity after the expiration of such policies. Although it is expected that the newly installed capacity of wind power and the total sales value of the pitch control system market in the PRC is expected to decrease in 2022 and 2023 after its peak in 2021, it is expected that the market will continue to experience periodical fluctuations and grow in the long run due to continuous demand in the wind power industry and support from the PRC Government, with additional reasons further elaborated below.

(d) ***Relief of wind curtailment problems.*** Wind curtailment problems, which reduce profitability of wind power generators, used to have a negative impact on the development of the wind power industry in the past. Wind curtailment problem means that generated wind power is not connected to the power grid or consumed by users due to reasons such as insufficient technology to convert wind energy to electrical energy, insufficient transmission capacity to deliver all generated electricity, energy storage solution that have not yet been promoted on a large scale, etc. As a result, some wind farms would have to cease electricity generation temporarily or even be shut down permanently, thus having a further negative effect on the development of the whole wind power industry in the PRC. The Chinese Government has been committed to alleviate this problem by continuing expansion and advancement of grid network and better planning and allocation of wind farm establishment. The Chinese Government further issued the Notice on Building and Improving the System of Ensuring the Renewable Energy Consumption (關於建立健全可再生能源電力消納保障機制的通知) in 2019 and The Action Plan of Clean Energy Consumption (2018–2020) (清潔能源消納行動計劃 (2018–2020年)) to formulate a series of regulations to further relieve renewable energy curtailment problems. Based on the above, together with the advancements of wind power related technology elaborated below it is expected that the relief of wind curtailment problems would encourage investments in wind power industry in the long run.

(e) ***Advancements of wind power related technology.*** Although the Chinese Government is shifting towards the promotion and issuance of policies to reduce or end grant of subsidies for newly approved wind farm projects, including prioritising the promotion of wind power projects without subsidies (平價項目), it is expected that wind farms without subsidies could be profitable in the long run because there has been continuing advancement of technology for wind power generation in the market, including (i) technology and techniques in pitch control systems, (ii) enhancements in the efficiency of wind power generation in low velocity environment, (iii) increase of the diameter of the rotor and the height of wind power generators and (iv) improvement of power generation capability of wind turbines, which enhance the profitability of wind farms and demand for pitch control system and gradually reduces the reliability of the wind power industry on subsidies from the PRC Government. Furthermore, smart-grid technology, which is a new-generation electric system that integrates new energy, material, equipment, and technology including advanced sensor technology, information technology, control technology, energy storage technology, etc., is currently in development in the PRC and is expected to relieve wind curtailment problems. Another example of advancements of wind power related technology is energy storage technology, which adds a link for storing electrical energy in the traditional power system, thus improving the reliability and stability of the power system and ensuring the balance and continuity of its power supply and helping to solve the wind curtailment problem.

Regulations and Policies of Wind Turbines and Pitch Control System Market in the PRC

Policies	Effective Date	Enacted by	Key Messages	Effects on the market
General Office of NDRC and NEA Issued the Notice on Publishing Grid Parity Projects for Wind Power and Photovoltaic Power Generation in 2020 《國家發展改革委辦公廳國家能源局綜合司關於公佈2020年風電、光伏發電平價上網項目的通知》	July 2020	NDRC, NEA	• Proposed to accelerate the development and construction of grid parity projects for wind power and photovoltaic power generation. The first batch of grid parity projects for wind power and photovoltaic power generation in 2019 and 2020 must be approved (filed) and started construction before the end of 2020. Except for reasons of grid connection consumption, wind power projects must accomplish grid connection before the end of 2022. Grid parity for wind power projects that have not accomplished grid connection within the prescribed time will be removed from the first batch of 2019 and 2020 grid parity for wind power projects.	• This policy will accelerate the progress of the first batch of grid parity projects for wind power in 2019 and 2020, which will likely increase the sales volume of wind power related markets such as wind turbine and wind power pitch control system markets.
Report on the Implementation of the National Economic and Social Development Plan in 2019 and the Draft National Economic and Social Development Plan in 2020《關於2019年國民經濟和社會發展計劃執行情況與2020年國民經濟和社會發展計劃草案的報告》	May 2020	NDRC	• Clarify the promotion and maintaining of reasonable development of wind power, photovoltaic power generation, and promote non-fossil energy to become an incremental main body. • Improve the long-term mechanism of renewable energy power consumption and utilisation, and promote the new local consumption model.	• It would help to achieve stable and sustainable development of wind power related markets through improving the consumption and utilisation of renewable energy.

Policies	Effective Date	Enacted by	Key Messages	Effects on the market
Guiding Opinions of the State Council on the New Era to Promote the Development of the Western Region 《中共中央、國務院關於新時代推進西部大開發形成新格局的指導意見》	May 2020	the Central Committee of CPC, the State Council	• Proposed to accelerate the local consumption of wind power. Continue to increase the construction of key power transmission channels across provinces and regions, such as west-to-east power transmission, to enhance renewable power transmission capacity. Strengthen the peak-shaving capacity of the power grid to effectively solve the problem of wind curtailment.	• It would accelerate the local consumption of wind power, which is conducive to the long-term development of wind power industry.
Notice on 2020 Wind Power Investment Monitoring and Warning Results 《2020年度風電投資檢測預警結果》	March 2020	NEA	• Proposed that (i) the monitoring and early warning results of wind power investment in 2020 as follows: Xinjiang, Gansu, and western Inner Mongolia are marked with "orange warning region"; Xinzhou, Shuozhou, and Datong in Shanxi Province, Zhangjiakou and Chengde in Hebei Province, and Chifeng in Inner Mongolia are administered as "orange warning region"; Hedong area of Gansu and other left regions are marked with "green region"; (ii) new wind power projects (distributed wind power projects included) are temporarily suspended in the regions marked with "orange warning region" in 2020, except for projects in line with the plan and listed in the previous annual implementation plan, projects using inter-provincial and inter-regional transmission channels to send out electricity, and projects that can be consumed locally; and (iii) projects are constructed orderly in the regions marked with "green region".	• This policy will affect the progress of new wind power projects in the regions marked with "orange warning region". For other projects which are in the regions marked with "green region", or in line with the plan, or listed in the previous annual implementation plan, or using inter-provincial and inter-regional transmission channels to send out electricity, or consumed locally, this policy has no effect on them.

Policies	Effective Date	Enacted by	Key Messages	Effects on the market
Notice of the National Energy Administration on Implementing the Spirit of Reform of the "Release Management Service" and Optimizing the Matters Related to the Management of Electric Power Business《國家能源局關於貫徹落實"放管服"改革精神優化電力業務許可管理有關事項的通知》	March 2020	NEA	• Simplified the application requirements for power generation business license. Especially, the power generation business of renewable energy power generation projects such as solar, wind, biomass, ocean energy, and geothermal energy with installed capacity of less than 6MW (excluding) is not included in the scope of power business license management, which means that such business is not required to obtain power generation business license.	• It would stimulate market vitality and development of renewable energy through lowering the threshold for permit entry and simplifying permit application materials, which would stimulate the development of wind power related industries such as wind turbine and wind power pitch control system industries.
Notice on Improving the Policy on On-grid Prices for Wind Power《關於完善風電上網電價政策的通知》	July 2019 (issued in May 2019)	NDRC	• Clarified the electricity prices policy of new approved projects of onshore and offshore wind power in 2019 and 2020. • Stipulated the benchmark on-grid prices for onshore and offshore wind power are changed to guidance on-grid prices for onshore and offshore wind power, and the newly approved onshore wind power projects and offshore wind power projects all determine the on-grid prices through competition, which shall not be higher than guidance on-grid prices for wind power in the resource area where the project is located.	• It is expected that this policy would stimulate a large number of enterprises to complete the construction of wind power projects in advance before the end of 2021 to enjoy the preferential policy and drive the demand of wind power pitch control systems to increase rapidly in this period.
Notice on Building and Improving the System of Ensuring the Renewable Energy Consumption《關於建立健全可再生能源電力消納保障機制的通知》	May 2019	NEA, NDRC	• Proposed to set the renewable energy power consumption responsibility for each provincial administrative area, and establish and improve the renewable energy power consumption guarantee mechanism.	• It may help to ease the wind curtailment problem, thereby contributing to the development of related markets such as wind turbine and wind power pitch control system markets.

Policies	Effective Date	Enacted by	Key Messages	Effects on the market
The Action Plan of Clean Energy Consumption (2018–2020) 《清潔能源消納行動計劃(2018–2020年)》	October 2018	NEA, NDRC	• Clean energy should further be developed in central and eastern regions of China with better power consumption, and distributed renewable energy development should be encouraged.	• It would likely increase the sales volume of wind power related markets such as wind turbine and wind power pitch control system markets in central and eastern regions.
The 13th Five-year Plan for Industrial Development of the Autonomous Region 《自治區"十三五"工業發展規劃》	April 2017	Inner Mongolia government	• Planned to accomplish 45 GW of accumulated wind power installed capacity by 2020.	• It would stimulate the demand for wind power related products such as wind turbine and wind power pitch control system in Inner Mongolia.
The 13th Five-year Plan for Wind Power Development《風電發展"十三五"規劃》	November 2016	NEA	• Attached great importance to the development of wind power in the central and eastern regions of China, and regarded the central and eastern regions as an important incremental market for the continued large-scale development of wind power during the 13th Five-year plan period. • Proposed that more than 210 GW of cumulative wind power installed capacity would be accomplished by 2020. Proposed that the annual wind power output should reach 420,000 GW and account for 6% of total power generation in 2020.	• It will stimulate the sales volume of wind power pitch control systems to increase because of the increase of newly installed capacity of wind power in the central and eastern regions.
China Wind Energy Development Roadmap 2050《中國風電發展路線圖2050》	October 2011	NDRC, IEA	• China will actively and orderly develop onshore wind power, and demonstrate offshore wind power before 2020. During 2021 to 2030, both onshore wind power and offshore wind power projects will be emphasised equally.	• It would promote the coordinated development of onshore and offshore wind turbines, and drive the demand of wind power pitch control systems accordingly.

Based on the above policies, (i) the reduction of available government subsidies to operators of onshore wind farms which have not accomplished grid connection before the end of 2021 in accordance with policies such as the Notice on Improving the Policy on On-grid Prices for Wind Power (關於完善風電上網電價政策的通知) is expected to (a) promote construction of wind farm and grid connection before the end of 2021, resulting in the increase in demand of wind turbines and wind farm construction which in turn increases the construction costs for wind farm operators and tightens their cash flow position in 2020 and 2021, (b) promote sales of wind turbines and related devices, components and systems such as pitch control systems and enhances the liquidity of the relevant manufacturers and suppliers in 2020 and 2021; (c) cause a decrease in the revenue of their wind power generation businesses who accomplishes grid connection after 2021 which tightens their liquidity position; whereas (ii) the relief of wind curtailment problems resulting from policies to expand and advance grid network and better plan and allocate wind farm establishment in the PRC such as the Notice on Building and Improving the System of Ensuring the Renewable Energy Consumption (關於建立健全可再生能源電力消納保障機制的通知) in 2019 and The Action Plan of Clean Energy Consumption (2018–2020) (清潔能源消納行動計劃 (2018–2020年)) is expected to reduce wastage of electricity generated by wind power generators, thus enhance the efficiency, profitability, revenue and liquidity position of wind farm operators in the PRC. Newly released policies generally would not have material impact on the wind farms which accomplished wind power grid connection previously and have been entitled to on-grid tariff because their entitlements were determined based on (i) the year in which a wind farm is approved or accomplished wind power grid connection and (ii) the applicable policies in force when a wind farm is developed.

In order to mitigate the possible adverse impact of the Notice on Improving the Policy on On-grid Prices for Wind Power (關於完善風電上網電價政策的通知) on the liquidity of players across the value chain of the wind power market in the PRC, (i) wind farm operators may need to (a) increase their financing (e.g. debt or equity financing) to fund the construction of new wind farms; (b) reduce investments in ancillary facilities and equipment of wind farms in order to minimise the construction costs and operating costs of new wind farms; and (c) improve the power generation efficiency of wind farms by choosing better wind power generation sites, more suitable equipment of the site and by adjusting the control parameters and operating strategies of wind turbines according to their location, thereby maximising their economic benefits; whereas (ii) wind turbine and pitch control system manufacturers may need to take less orders and/or slow down the production to manage their cashflow.

Regulations and Policies of Wind Turbines and Pitch Control System Market in the PRC (related to Inner Mongolia)

Policies	Effective Date	Enacted by	Key Messages	Effects on the market
Notice of the Energy Administration of Inner Mongolia Autonomous Region on Further Strengthening the Construction and Management of Wind Power and Photovoltaic Power Projects in the Region 《內蒙古自治區能源局關於進一步加強全區風電、光伏發電項目建設管理的通知》	March 2020	Inner Mongolia Energy Bureau	• Proposed that (i) wind power and photovoltaic power plants should be deployed in desert areas, along borders, coal mining subsidence areas, and open-pit mine dumps, and no new wind power and photovoltaic power generation projects will be deployed in other areas in principle; (ii) the projects included in the national construction scale during the 13th Five-Year Plan shall, in principle, be completed and connected to the grid by the end of 2020, and projects that do not meet the construction conditions or do not meet the requirements of the relevant national policies should be cleared and abolished in time.	• This policy will control the scale of new wind power projects in Inner Mongolia, and accelerate the construction of projects included in the national construction scale during the 13th Five-Year Plan.
Notice on 2020 Wind Power Investment Monitoring and Warning Results 《2020年度風電投資檢測預警結果》	March 2020	NEA	• Proposed that (i) western Inner Mongolia is marked with "orange warning region"; and Chifeng in Inner Mongolia are administered as "orange warning region"; (ii) new wind power projects (distributed wind power projects included) are temporarily suspended in the regions marked with "orange warning region" in 2020, except for projects in line with the plan and listed in the previous annual implementation plan, projects using inter-provincial and inter-regional transmission channels to send out electricity, and projects that can be consumed locally.	• This policy will affect the progress of new wind power projects in the western Inner Mongolia and Chifeng, and the restrictions will be alleviated in other regions in Inner Mongolia.
Notice of the National Energy Administration on Issuing the 2019 Wind Power Investment Monitoring and Early Warning Results 《國家能源局關於發佈2019年度風電投資監測預警結果的通知》	March 2019	NEA	• Proposed that Inner Mongolia is marked with "orange warning region", and new wind power projects cannot be approved in the regions marked with "orange warning region" in 2019, except for distributed wind power projects, projects in line with the plan and listed in the previous annual implementation plan, and projects using inter-provincial and inter-regional transmission channels to send out electricity.	• This policy will affect the progress of new wind power projects in Inner Mongolia as the previous year.

Policies	Effective Date	Enacted by	Key Messages	Effects on the market
Notice of the National Energy Administration on Issuing the 2018 Wind Power Investment Monitoring and Early Warning Results 《國家能源局關於發佈2018年度風電投資監測預警結果的通知》	March 2018	NEA	• Proposed that Inner Mongolia is marked with "orange warning region". New wind power projects in regions marked with "orange warning region" cannot be approved this year, except for projects in line with the plan and listed in the previous annual implementation plan, demonstration projects organized by NEA and market-based bidding projects.	• This policy will affect the progress of new wind power projects in Inner Mongolia, but the restrictions will be alleviated compared to the previous year.
Notice of the National Energy Administration on Issuing the 2017 Wind Power Investment Monitoring and Early Warning Results 《國家能源局關於發佈2017年度風電投資監測預警結果的通知》	February 2017	NEA	• Proposed that Inner Mongolia is marked with "red warning region". The new wind power projects in regions marked with "red warning region" cannot be approved, and these regions must take effective measures to solve the problem of wind curtailment. Besides, grid companies are not allowed to accept new grid connection applications (including projects under construction, approved and included in the planning) of wind power projects in regions marked with "red warning region", and dispatch agencies will no longer issue new wind power projects license for power generation business in regions marked with "red warning region".	• This policy will put a more serious impediment to develop new wind power projects in Inner Mongolia compared to the previous year.
Notice of the National Energy Administration on Establishing a Monitoring and Early Warning Mechanism to Promote the Sustainable and Healthy Development of the Wind Power Industry 《國家能源局關於建立監測預警機制促進風電產業持續健康發展的通知》	July 2016	NEA	• Proposed that Inner Mongolia is marked with "orange warning region", which means that wind power development investment in Inner Mongolia has certain risks. In principle, the NEA will not release the annual development and construction scale in the year when the early warning results are issued.	• This policy will prevent the progress of new wind power projects in Inner Mongolia.

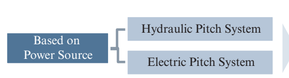
OVERVIEW OF WIND POWER PITCH CONTROL SYSTEM MARKET IN CHINA

Definition and Classification

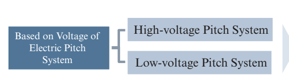
The wind power pitch control system is a critical system in a wind turbine for real-time regulation of the wind turbine generator's rotational speed against the changing wind velocity through control of the blade angle for optimal energy capture and minimisation of potential damages against exceedingly high speed winds. The main controller of wind turbines calculates the required angle of the blades from a set of conditions, such as wind speed, generator speed and power production. The information of required angle is transferred to the pitch system as a set point. If the actual angle is not the same as the set point, the system will direct power to the electric motor or fluid to the cylinder in order to move the blades to the required angle. The pitch controller software in pitch control system receives information from the main controller and feeds back the information such as the pitch angle to the main controller.

Based on different pitch actuator, pitch control systems can be divided into two major categories, namely hydraulic pitch system and electric pitch system. Based on different voltage of electric pitch system, pitch control system can be classified into high-voltage pitch system and low-voltage pitch system.

Classification of Wind Power Pitch Control System



	Controlled by	Power Consumption	Risk of Leaking Hydraulic Fluid	Adaptability Colder Temperature	Structural Complexity	Risk of Batteries Failure
Hydraulic Pitch System	Hydraulic Cylinders	Higher	Higher	Lower	Lower	Lower
Electric Pitch System	Electric Motors	Lower	Lower	Higher	Higher	Higher

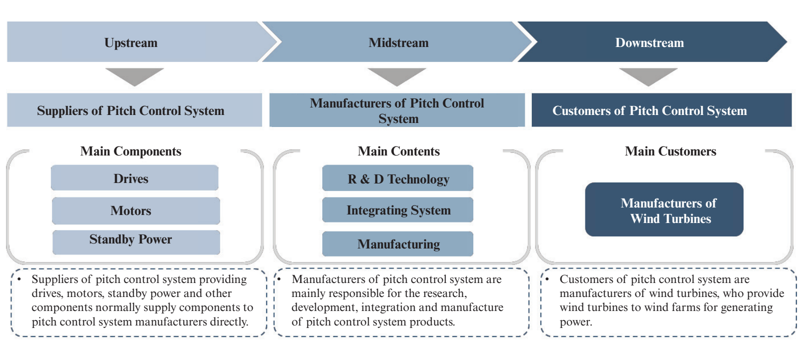


	Voltage	Defective Rate	Purchase Costs	Maintenance Costs in the Long Run	Heat When Generating Electricity	Consumption of Electricity
High-voltage Pitch System	200V–400V	Lower	Lower	Lower	Lower	Higher
Low-voltage Pitch System	Below 200V	Higher	Higher	Higher	Higher	Lower

Source: Frost & Sullivan

Note: the Company manufactured high-voltage pitch system of electric pitch system.

Value Chain of Wind Power Pitch Control System Market in China



Source: Frost & Sullivan

Market Size of Wind Power Pitch Control System Market in China

As pitch control system is a key component for wind turbine, demand of pitch control systems is driven by and correspond to the demand of wind turbines.

The wind turbines industry experiences periodical fluctuations. From 2014 to 2018, the market size decreased from RMB91.6 billion to RMB70.9 billion at the CAGR of –6.2%. However, the market size is anticipated to grow from RMB89.9 billion to RMB95.1 billion at the CAGR of 1.4% between 2019 and 2023. Specifically, the market size of wind turbines increased rapidly from RMB91.6 billion in 2014 to RMB128.9 billion in 2015, which was mainly stimulated by the approaching decrease on benchmark on-grid prices for wind power the Chinese Government proposed in the end of 2014. Between 2015 and 2018, affected by the reduction of benchmark on-grid prices for onshore wind power adjusted by the Chinese Government, coupled with the decrease in the average price of wind turbines during this period, the sales value of wind turbines experienced a significant decrease to RMB70.9 billion in 2018.

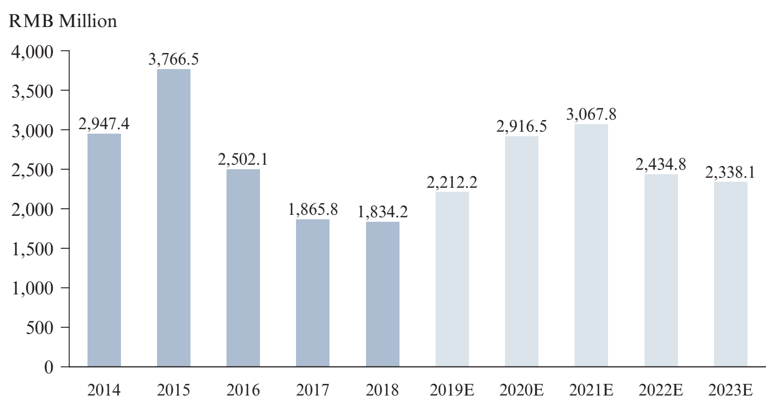
According to the Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》) issued in May 2019 with an effective date in July 2019, the Chinese Government proposed that in order to scientifically and reasonably guide investments in renewable energy and promote the healthy and sustainable development of the wind power industry, government subsidy on onshore wind power would be phased out. In particular, there would be no subsidy on onshore wind power projects which have not accomplished grid connection before the end of 2021, and that offshore wind power projects which have not accomplished grid connection before the end of 2021 would adopt the guidance on-grid price for wind power for the year of grid connection. Hence, it is expected that this policy would stimulate a large number of enterprises to complete the construction of wind power projects in advance before the end of 2021 to enjoy the preferential policy. Therefore, it is projected that there will be a great demand for wind turbines, therefore the sales value of wind turbines is estimated to rise and reach RMB 117.4 billion in 2020 with a growth of 30.6% from 2019 to 2020 and RMB121.6 billion in 2021 with a growth of 3.6% from 2020 to 2021. However, after that, as government subsidies on onshore wind power projects would be phased out after 2021, the wind turbine market size in the PRC is expected to decline for a short period of time because of previous pre-construction and the reduction of government subsidies, decreasing to RMB95.1 billion by 2023, resulting in a CAGR of 1.4% from 2019 to 2023 as a whole.

Corresponding to the market trend of wind turbines, the sales value of pitch control system experienced an increase from RMB2,947.4 million in 2014 to RMB3,766.5 million in 2015, due to the financial subsidy from the Chinese Government according to the policy Notice on Appropriate Adjustment of Benchmark On-grid Prices for Onshore Wind Power (《關於適當調整陸上風電標桿上網電價的通知》) issued in December 2014. After that, the sales value decreased to RMB1,834.2 million in 2018 as a result of reduction of the benchmark on-grid prices for wind power adjusted by the Chinese Government, representing a CAGR of –11.2% from 2014 to 2018.

In the future, driven by the policy Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》), the total wind power pitch control system market is anticipated to further expand before 2022 and reduce afterwards. It is expected that the total sales value of wind power pitch control system would reach RMB2,916.5 million in 2020 and RMB3,067.8 million in 2021. After that, the total sales value of wind power pitch control system is estimated to reach RMB2,338.1 million in 2023, with a CAGR of 1.4% from 2019 to 2023. Besides, with the technological developments in the wind power industry, the sales volume of large rated power pitch control system should rise, representing an ever larger proportion of total sales volume of pitch control system.

Market Size of Wind Power Pitch Control System Market in China (by Sales Value), 2014–2023E

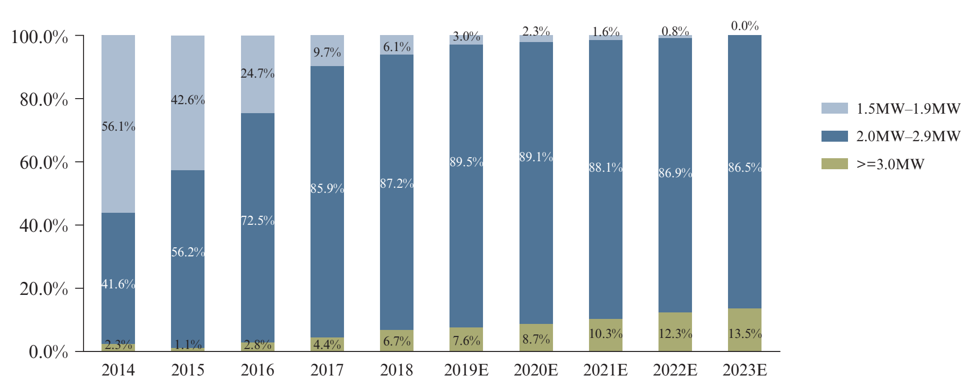
CAGR	2014–2018	2019E–2023E
Wind Power Pitch Control System	–11.2%	1.4%



Source: Frost & Sullivan

Note: the market size of wind power pitch control system includes that manufactured by OEM.

Market Size of Different Rated Power Wind Pitch Control System Market in China (by Percentage of Sales Volume, Set), 2014–2023E



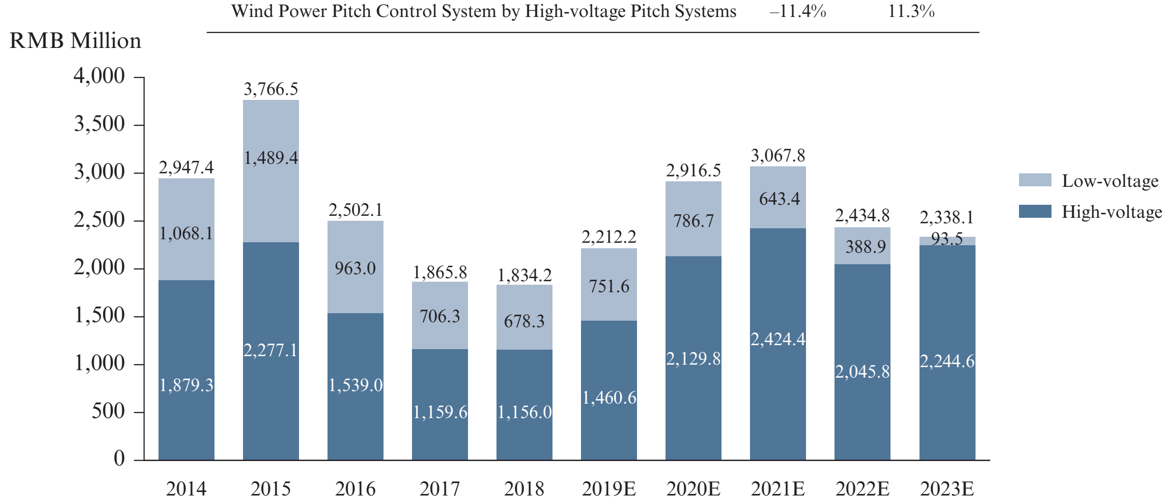
*Source: Chinese Wind Energy Association ("**CWEA**"), Frost & Sullivan*

Corresponding to the market trend of the whole pitch control system market, from 2014 to 2018, the market size of pitch control system by high-voltage pitch systems decreased from RMB1,879.3 million to RMB1,156.0 million at the CAGR of –11.4%; the market size of pitch control system by low-voltage pitch systems decreased from RMB1,068.1 million to RMB678.3 million at the CAGR of –10.7%. However, since the high-voltage pitch control system has competitive strengths such as higher integration level of the key core components and minimised rate of malfunctions with reduced failure points in the system, high-voltage pitch control system would become more and more popular in the future, the market size of pitch control system by high-voltage pitch systems is anticipated to grow from RMB1,460.6 million to RMB2,244.6 million at the CAGR of 11.3% between 2019 and 2023; the market size of pitch control system by low-voltage pitch systems is anticipated to decrease from RMB751.6 million in 2019 to RMB93.5 million in 2023 at the CAGR of –40.6%.

It is expected that the demand for high-voltage pitch control system would increase in the long run. According to the F&S Report, the percentage contribution of high-voltage pitch control systems to the market size of pitch control systems in the PRC experienced a constant increasing trend from 60.5% in 2015 to 63.0% in 2018, and is expected to reach 96.0% in 2023.

Market Size of Wind Power Pitch Control System Market in China by High-voltage and Low-voltage Pitch Systems (by Sales Value), 2014–2023E

CAGR	2014-2018	2019E-2023E
Wind Power Pitch Control System	–11.2%	1.4%
Wind Power Pitch Control System by Low-voltage Pitch Systems	–10.7%	–40.6%
Wind Power Pitch Control System by High-voltage Pitch Systems	–11.4%	11.3%



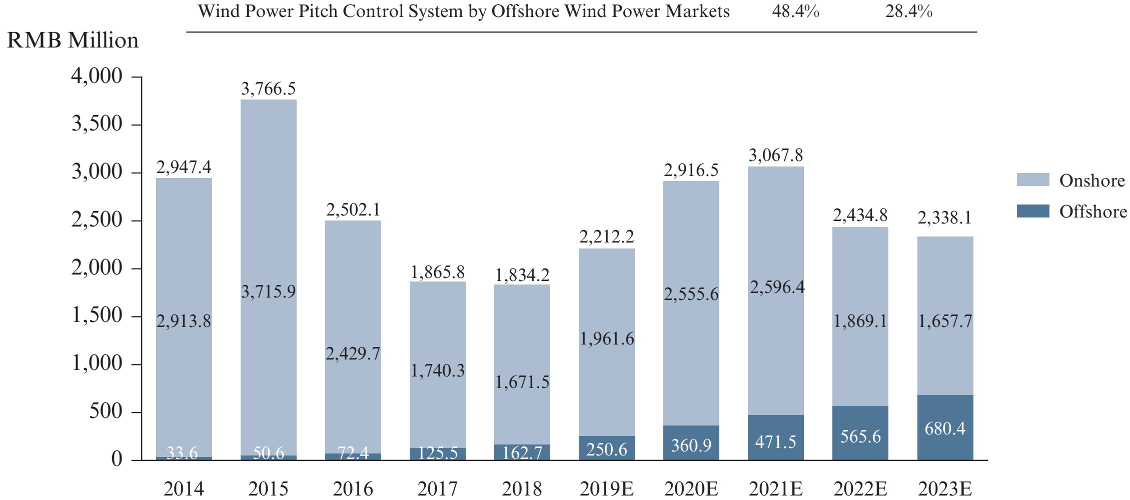
Source: CWEA, Frost & Sullivan

Since offshore winds tend to blow harder and more uniformly than onshore winds, and higher wind speeds can produce significantly more electricity, developers are increasingly interested in pursuing offshore wind power resources, which supports the continuously development of pitch control systems market by offshore wind power markets. From 2014 to 2018, the market size of pitch control system by offshore wind power markets increased from RMB33.6 million to RMB162.7 million at the CAGR of 48.4%. It is estimated that the market size of pitch control system by offshore wind power markets would continue growing at a CAGR of 28.4%, from RMB250.6 million in 2019 to RMB680.4 million in 2023.

Corresponding to the market trend of the whole pitch control system market, the market size of pitch control system by onshore wind power markets decreased from RMB2,913.8 million to RMB1,671.5 million at the CAGR of –13.0%. Affected by the periodical fluctuation in the wind power industry coupled with the development of offshore wind power markets, it is estimated that the market size of pitch control system by onshore wind power markets would decrease from RMB1,961.6 million in 2019 to RMB1,657.7 million in 2023, at a CAGR of –4.1%.

Market Size of Wind Power Pitch Control System Market in China by Onshore and Offshore Wind Power Markets (by Sales Value), 2014–2023E

CAGR	2014-2018	2019E-2023E
Wind Power Pitch Control System	–11.2%	1.4%
Wind Power Pitch Control System by Onshore Wind Power Markets	–13.0%	–4.1%
Wind Power Pitch Control System by Offshore Wind Power Markets	48.4%	28.4%



Source: CWEA, Frost & Sullivan

Drivers of Wind Power Pitch Control System Market in China

- ***Sustainable Downstream Demand***

Wind power pitch control system is of great importance for wind turbine manufacturers in downstream. In the future, the sustainable development of downstream industry would increase the demand for pitch control system as a result of national support for renewable energy development.

The rapid growth in the wind turbines market in China is largely driven by financial subsidies from the Chinese Government. For example, in May 2019, the Ministry of Finance of the People's Republic of China issued the Notice on Assigning the Extra Subsidy to the Renewable Energy Price (《關於下達可再生能源電價附加補助資金預算的通知》), which proposed that more than RMB4.2 billion would be allocated to wind power projects (distributed wind power projects included) as the financial subsidy to support their development.

Local governments (Inner Mongolia, Shanxi, Shandong, Zhejiang, Jiangsu, etc.) have successively implemented policies to promote the development of wind power. For example, in April 2017, Inner Mongolia government planned to accomplish 45 GW of accumulated installed capacity of wind power by 2020 according to the 13th Five-Year Plan for Industrial Development of the Autonomous Region (《自治區"十三五"工業發展規劃》). Although the Chinese Government adjusts the planning of wind power projects from time to time, such as the temporary suspension of approving wind power projects in certain areas including Xinjiang, Gansu, Chifeng of Inner Mongolia and Datong of Shanxi in 2020 according to the Notice issued by the National Energy Administration of the PRC on 30 March 2020, it continues to promote wind power projects in the PRC as a whole with a shift to other areas for a more balanced distribution and establishment of wind power generation infrastructure and facilities. The shift in demand among districts is not expected to curtail the long term development of the wind power industry in the PRC.

- ***Upgrading Pitch Control Technology***

In recent years, pitch control technology in China has been improved. The technology advancement reduces the failure rate of pitch control system through optimisation and innovative technology such as software control technology in pitch control system. As a result, the wind turbines are more stable and cost efficient. Besides, there has been a tendency from manufacturing small rated power pitch control systems to large rated power pitch control systems, as some pitch control system manufacturers have devoted to R&D on manufacturing the large rated power pitch control systems, for example, Jiangyin Hongyuan has developed 8 MW pitch control system for offshore wind power projects. Moreover, in 2015, low-voltage pitch control systems were prevalent in the PRC and there was a lack of market players who were willing to devote resources in developing high-voltage pitch control systems. With careful design and comprehensive research on pitch control system manufacturing by manufacturers like Jiangyin Hongyuan, high-voltage pitch control systems have been promoted. There has been a technological shift of the wind turbines industry from using low-voltage pitch control systems to high-voltage pitch control systems, because high-voltage pitch control systems have competitive strengths such as lower defective rate, lower maintenance costs in the long run, etc..

- ***Economical Upstream Supply***

With the development of the wind power industry and the manufacture technology of components in China, the upstream market of pitch control system components would become a relatively competitive market, and these components would be more advanced and more economical. For instance, supercapacitor, as a result of a technology upgrade of capacitors, provides better performance to standby power, and reduces the cost of capacitors by production automation and scale, promoting the performance and cost efficiency of pitch control system.

- ***Abundant Wind Power Resources***

According to the measurement by China Meteorological Administration, the technically exploitable amount of wind power at the height of 80 meters from the ground is around 3.5 TW. As at end of 2018, the wind power accumulated installed capacity in China was around 0.21 TW, indicating immense potential of wind power in China. In contrast, fossil fuels are gradually less used because of its pollution and decreasing volume. As a type of renewable energy, wind power has been developed widely, and in order to fully utilise this kind of renewable wind power, a large amount of wind turbines would have to be installed in China. This would in turn drives the demand for pitch control systems.

Entry Barriers of Wind Power Pitch Control System Market

- ***High Technical Requirement***

Pitch control system is highly interrelated to the performance of wind turbines, and it is used in the automated monitoring of wind turbines. Advanced and experienced technologies are employed to ensure stability and efficiency of pitch control system. The pitch control system industry is technology-intensive and requires years of technology reserve, which is one of the biggest obstacles for new entrants.

- ***High Capital Requirement***

In order to gain additional market share in pitch control system industry, the research of new technology, the development of new products and the purchase of corresponding facilities have become important investment directions for enterprises. New entrants without sufficient capital will find it difficult to meet these developments.

- ***Qualification of Supplier***

Each wind turbine manufacturer has independent technical specifications for their wind turbines, and different certification standards for pitch control system suppliers. Therefore, wind turbine manufacturers usually establish a relatively stable strategic partnership with their long-term core component suppliers. In this case, it is difficult for new market entrants to break the established partnership unless they possess special advantages such as more advanced technology and lower cost.

- ***Challenge of Wind Power Pitch Control System Market***

Compared with the traditional thermal power industry which enjoys certain cost advantages, the development of renewable energy relies more on policy incentive subsidies, which makes the whole wind power industry vulnerable to policy uncertainty. With the expansion of the industry and the gradual maturity of technology, the Chinese Government's subsidies for wind power generation are being decreased, and on-grid price for wind power is reduced, affecting return on investment of power generation. As a result, it affects the market demand for pitch control system.

Future Trends of Wind Power Pitch Control System Market in China

- ***Expansion Opportunities***

With the encouragement of clean energy generation by national and local governments, the installed capacity of wind power will be steadily expanded. For example, the 13th Five-year Plan for Wind Power Development (《風電發展"十三五"規劃》) attaches great importance to the development of wind power in the central and eastern regions of China, and regards the central and eastern regions as an important incremental market for the continued large-scale development of wind power during the 13th Five-year plan period. Implementation of such policies will further accelerate wind farm construction in the central and eastern regions of China, contributing to the increasing installed capacity and sales value of wind power pitch control system.

- ***Intelligent Application***

The intelligence of the pitch control system mainly includes intelligent manufacture, intelligent control, and intelligent fault diagnosis. The manufacturing processes of the pitch control system need to meet a large number of non-standardised and customised requirements. The intelligent manufacturing system is introduced into the MES (Manufacturing Execution Systems) through the reassembly and combined with the ERP (Enterprise Resource Planning) system to achieve the purpose of improving production efficiency and reducing production costs. For example, through the CAN-BUS (Controller Area Network BUS) technology, the function of wind turbine can be highly integrated with that of pitch control system to achieve more precise control and greater efficiency in operating the system.

- ***Large Rated Power***

In recent years, China's wind turbines have shown large rated power. In 2018, the average power of newly installed single-machine wind turbines in China reached 2,183 kW, which was 3.36% higher than that of 2,112 kW in 2017. The average accumulated installed power of single-machine wind turbines was 1,691 kW, increased by 2.5%. In 2018, 2.0 MW (inclusive) to 3.0 MW (excluding) newly installed capacity wind turbines occupied most of the market accounting for 82.5% in China. Based on this, the incremental demand for domestic large rated power wind turbines will prompt manufacturers to increase the R&D of large rated power pitch control system, and the large rated power pitch control system will occupy the entire market finally.

- ***Coordinated development of onshore and offshore Wind Turbines***

Currently, onshore wind power in China is developing at a faster rate than offshore wind power. However, according to the China Wind Energy Roadmap 2050 (《中國風電發展路線圖2050》) issued by the NDRC and IEA, both onshore wind power and offshore wind power will be emphasised equally during 2021 to 2030. Besides, in the coastal range whose water depth is within 50 meters, the volume of wind power resources for development is 500 GW, compared with 4.4 GW, the accumulated offshore wind power installed capacity by 2018, which shows a large potential for offshore wind power development.

Competitive landscape of wind power pitch control system market in China

Market Share of Major Players of Wind Power Pitch Control System

After years of industry consolidation, China's pitch control system market is rather concentrated. The total number of pitch control system players is about 23 in China and the top five players accounted for 71.3% of total sales volume in pitch control system market in 2018. In 2018, Company A was the leader of China's pitch control system market by its 3,285 sets sales volume, followed by Company B, Jiangyin Hongyuan, Company C and Company D.

Top Five Pitch Control System Manufacturers by Sales Volume, China, 2018

Rank	Company Name	Sales Volume *(set)*	Market Share
1	Company A	3,285	33.6%
2	Company B	1,340	13.7%
3	Jiangyin Hongyuan	1,027	10.5%
4	Company C	699	7.2%
5	Company D	612	6.3%
	Others	2,806	28.7%
	Total Market Size	**9,769**	**100.0%**

Source: Frost & Sullivan

Top Five Pitch Control System Manufacturers by Sales Value, China, 2018

Rank	Company Name	Sales Value *(tax inclusive)* *(RMB Million)*	Market Share
1	Company A	678.2	37.0%
2	Company B	230.9	12.6%
3	Company C	144.3	7.9%
4	Jiangyin Hongyuan	137.8	7.5%
5	Company D	126.3	6.9%
	Others	516.7	28.1%
	Total Market Size	**1,834.2**	**100.0%**

Source: Frost & Sullivan

Notes:

In 2018, Envision Group directly purchased and provided Jiangyin Hongyuan with certain raw materials for the production of pitch control systems. As such, the unit price of pitch control system of Jiangyin Hongyuan was lower than other pitch control system manufacturers.

Company A refers to a PRC company principally engaged in the production of control system in wind turbine, converter, and providing smart energy solutions. Company A is the subsidiary of a listed company and mainly supplies pitch control system for the listed company, which was one of the top five wind turbine manufacturers by newly installed capacity in China in 2018.

Company B refers to a PRC company that specialises in producing pitch control system. Company B cooperates with more than one wind turbine manufacturers in China, and one of its customers is its associated company.

Company C is the first company introducing wind power pitch control system to China, and cooperates with more than one wind turbine manufacturers in China. Company C specialises in producing pitch control system and pitch drive.

Company D refers to a PRC company principally engaged in the production of control system in wind turbine, converter, pitch control system, SCADA system, etc.. Company D mainly supplies pitch control system for a listed company, who was one of the top five wind turbine manufacturers by newly installed capacity in China in 2018.

In terms of the sales value of wind power pitch control system, top five players accounted for 71.9% of total sales value in pitch control system market in 2018. In 2018, Company A was the leader of China's pitch control system manufacturing market with RMB678.2 million in revenue, ahead of Company B, Company C, Jiangyin Hongyuan and Company D.

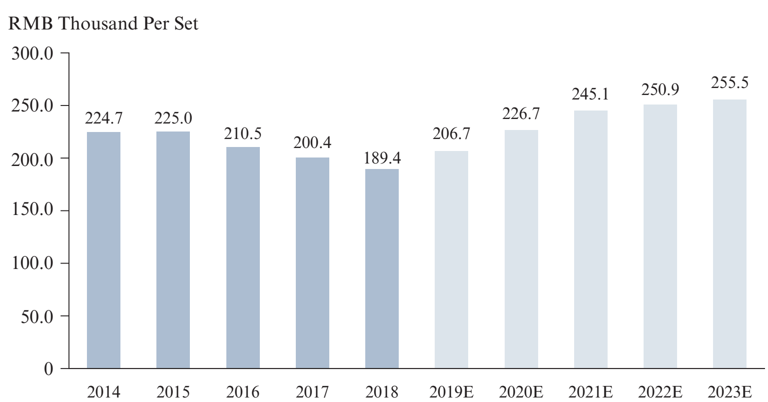
Price Trend of Wind Power Pitch Control System Market in China

With the development of domestic technology and maturation of the pitch control system market, wind turbine manufacturers have gradually adopted a model of producing pitch control system by their direct or indirect subsidiaries or associated companies, which are pitch control system manufacturers, resulting in the price of the pitch system experiencing a downward trend from RMB224.7 thousand per set in 2014 to RMB189.4 thousand in 2018, and the price of the pitch system per MW from RMB127.1 thousand per MW in 2014 to RMB86.8 thousand in 2018.

Going forward, with large rated power wind turbines become more and more popular owing to benefits such as saving land area, increasing power generation efficiency, and reducing electricity costs, the unit price of pitch control systems per set will be increased as the rated power of pitch control systems increased. It is forecasted that the unit average price of pitch control system per set would increase gradually from RMB206.7 thousand in 2019 to RMB255.5 thousand per set in 2023, with a CAGR of 5.4%. However, the price of the pitch system per MW would decrease slightly from RMB88.5 thousand per MW in 2019 to RMB87.5 thousand per MW in 2023 as a result of scale development, with a CAGR of –0.3%.

Wind Power Pitch Control System Price Trend in China (Per Set), 2014–2023E

	2014–2018	2019E–2023E
CAGR	–4.2%	5.4%



Source: Frost & Sullivan

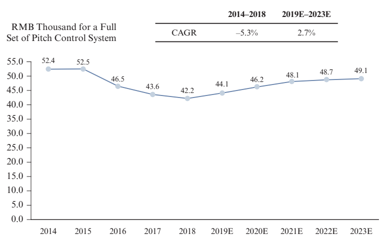
Note: The price of wind power pitch control system includes that manufactured by OEM.

The price per set of pitch control system is affected by both (i) the unit price per MW (i.e. unit price per unit of power) and (ii) the unit MW (equivalent to rated power) of a pitch control system. The (i) price per set of a pitch control system and (ii) unit price per MW of a pitch control system are different concepts and are likely to experience different trends in the future. As mentioned in this subsection, the (i) price per set of a pitch control system and (ii) unit price per MW of a pitch control system are expected to experience an overall upward trend and downward trend, respectively.

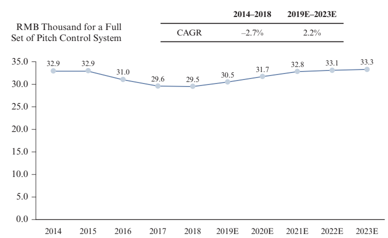
Cost Analysis of Wind Power Pitch Control System Market

The costs of wind power pitch control system mainly consist of its materials, taking up the most significant share of approximately 90.5%. These materials include drives, standby power, motors, and others. Drives, standby power and motors are the core of pitch control system and usually take up 50%–80% of the cost of pitch control system.

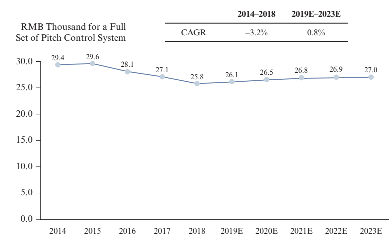
The Price Trend of Drive, 2014–2023E



The Price Trend of Standby Power, 2014–2023E



The Price Trend of Motor, 2014–2023E



Source: Frost & Sullivan

Note: the average prices of drive, standby power and motor include the price of domestic products and foreign products.

OVERVIEW OF WIND POWER OPERATION AND MAINTENANCE MARKET IN CHINA

Overall, there was an upward trend in wind power operation and maintenance market. From 2014 to 2018, the total market size of wind power operation and maintenance market in China witnessed a rapid growth from RMB8.1 billion to RMB12.5 billion at a CAGR of 11.4%. With increasing of accumulated installed capacity of wind turbines, and relief of wind curtailment problem, the market size of wind power operation and maintenance would likely increase rapidly. It is anticipated to continue to grow at a CAGR of 15.0% from RMB14.3 billion to RMB25.0 billion over the 2019 to 2023 period. Besides, driven by the development of internet technology especially the big data technology, the wind power operation and maintenance is expected to be more digitised and proactive in the near future. Furthermore, given that the Chinese Government has formulated a series of incentive policies to exploit the wind power on the sea, the offshore market segment would develop a lot.

Regulations and Policies of Wind Power Operation and Maintenance Market in the PRC

Policies	Publication Date	Enacted by	Key Messages	Effects on the market
Notice on Building and Improving the System of Ensuring the Renewable Energy Consumption 《關於建立健全可再生能源電力消納保障機制的通知》	May 2019	NEA, NDRC	• Proposed to set the renewable energy power consumption responsibility for each provincial administrative area, and establish and improve the renewable energy power consumption guarantee mechanism.	• It may help to ease the wind curtailment problem, thereby contributing to the development of the wind power operation and maintenance market.
Key Points of Industry Standardization Work in the Energy Sector in 2017《2017年能源領域行業標準化工作要點》	April 2017	NEA	• Proposed to accelerate the process of setting standards for offshore wind farm construction, operation and maintenance, and offshore booster station, etc.	• It may further promote to set standards for the wind power operation and maintenance industry.
The 13th Five-year Plan for the Renewable Energy Development 《可再生能源發展"十三五"規劃》	December 2016	NDRC	• Proposed that 5 GW of the offshore wind power installed capacity should be accomplished by 2020.	• It would promote the development of offshore wind power, and drive the offshore wind power operation and maintenance market accordingly.
The 13th Five-year Plan for Wind Power Development《風電發展"十三五"規劃》	November 2016	NEA	• Proposed to further improve the wind power standard system, formulate and revise the test and evaluation standards for wind turbines, wind farms and auxiliary maintenance equipment. • Proposed to strengthen the application of intelligent manufacturing technologies such as big data technology and 3D printing technology to comprehensively improve the performance and intelligence of wind turbines.	• It may help to promote the application of intelligent technology in wind power operation and maintenance industry.

Policies	Publication Date	Enacted by	Key Messages	Effects on the market
The Plan for the Development and Construction of Offshore Wind Power Nationwide (2014–2016) 《全國海上風電開發建設方案 (2014–2016) 》	August 2014	NEA	• Claimed that 44 projects were listed in the National Offshore Wind Power Development and Construction Program (2014–2016), with a total capacity of 10.53 GW.	• It would contribute to speed up the development of offshore wind power.

OVERVIEW OF WIND FARM DEVELOPMENT MARKET IN CHINA

There are two types of wind farms, namely centralised wind farms and distributed wind farms. The wind farm development market in China amounted to 21,143.0 MW in terms of newly installed capacity in 2018. The centralised wind farm development market dominated the wind farm development market, accounting for 90.5% in terms of the newly installed capacity in 2018, whereas the distributed wind farm development market merely took up 9.5% in 2018. Given that the Chinese Government has formulated many preferential policies like the Interim Measures for the Development and Construction of the Distributed Wind Power Projects (《分散式風電項目開發建設暫行管理辦法》) to promote distributed wind farm development, coupled with that the development of technology in respect of wind turbines has helped to decrease the cost of distributed wind farm development, the market size of distributed wind farm development market is estimated to expand rapidly in the foreseeable future. It is expected that the market share for distributed wind farm in terms of the newly installed capacity will increase to 39.6% in 2023. Besides, encouraged by the Chinese Government, the distributed wind farm development market would attract greater public investments and would be rapidly developed in eastern, central and southern China.

Regulations and Policies of Distributed Wind Farm Development Market in the PRC

Policies	Publication Date	Enacted by	Key Messages	Effects on the market
Interim Measures for the Development and Construction of the Distributed Wind Power Projects 《分散式風電項目開發建設暫行管理辦法》	April 2018	NEA	• Proposed to encourage social capital to participate in the development of the distributed wind power projects.	• It would likely increase the investment on the distributed wind farm development.

Policies	Publication Date	Enacted by	Key Messages	Effects on the market
Notice on the Relevant Requirements of Accelerating the Distributed Wind Grid Connection《關於加快推進分散式接入風電項目建設有關要求的通知》	June 2017	NEA	● Proposed that State Grid Corporation of China, China Southern Power Grid Corporation, Inner Mongolia Power Group and other local power suppliers should analyse the location of the substation and its surrounding power load conditions, and should ensure the projects within the programme to be timely connected to the grid.	● It may help to speed up the construction of the distributed wind grid connection and strengthen the management of its grid connection.
The 13th Five-year Plan for Wind Power Development 《風電發展"十三五"規劃》	November 2016	NEA	● Proposed to speed up the development of the distributed wind power in eastern, central and southern regions of China.	● It may help to speed up the construction of the distributed wind farms in eastern, central and southern regions.
Notice on the Guidance on the Distributed Wind Grid Connection Projects Development and Construction 《關於分散式接入風電項目開發建設指導意見的通知》	November 2011	NEA	● Proposed that the provincial energy department (or municipality, district), together with other relevant departments, should simplify the approval process and the supporting documentation required for the distributed wind grid connection.	● It would contribute to simplifying the approval process, thus speeding up the distributed wind power development to some extent.
The 13th Five-year Plan for Constructing the Distributed Wind Power Projects in Shanxi Province《山西省"十三五"分散式風電項目開發建設方案》	January 2018	The Development and Reform Commission of Shanxi Province	● Proposed that 105 distributed wind power projects totalled up to 987.3 MW of installed capacity be completed by 2020.	● It would strongly accelerate the construction of the distributed wind power projects in Shanxi province.

Differences Between Centralised and Distributed Wind Farms

Distributed wind farm development refers to projects located near the centre of the power load and not for large-scale long-distance power transmission, and its generated power is connected to the nearby power grid and consumed locally.

By comparison, centralised wind farm development means projects where the power generated by wind turbines in wind farms is collected together by one or more transformer substations, admitted to the power grid, and then transported for a long distance.

Difference Between the Distributed Wind Power and the Centralised Wind Power

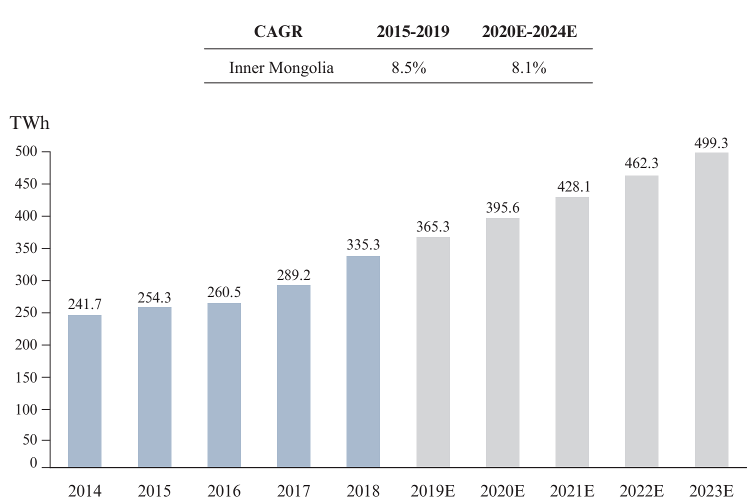
	Installed Capacity	Grid Connection	Consumption Mechanism	Administrative Approval Model	Annual Guiding Scale Restriction	Financial Subsidy
Distributed Wind Power	6MW-50MW	110 KV (Kilovolt) and Below	Integrated to the Nearby Power Grid and Consumed Locally	Register System	No	Yes (2011-2020)
Centralised Wind Power	No Limitation But Generally Above 50MW	Above 110 KV (Kilovolt)	Large-scale and Long-distance Transmission	Authorization System	Yes	Yes (2006-2020)

Source: Frost & Sullivan

Electricity Consumption in Inner Mongolia and Datong City, China

With the resident living standard improving, residents' electricity consumption will gradually increase, thereby increasing the electricity consumption of the whole society. In Inner Mongolia, electricity consumption increased from 241.7 TWh in 2014 to 335.3 TWh in 2018 at a CAGR of 8.5%. From 2019 to 2023, the electricity consumption is estimated to continue increasing from 365.3 TWh to 499.3 TWh at a CAGR of 8.1%.

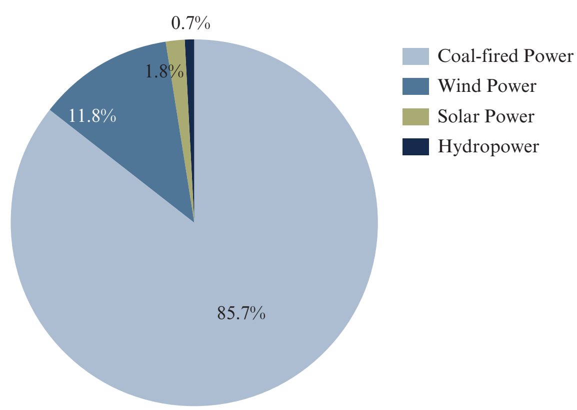
Electricity Consumption in Inner Mongolia, China, 2014–2023E



Source: NBSC, Frost & Sullivan

In 2018, the industrial electricity generation above designated size was 482.8 TWh in Inner Mongolia, an increase of 14.2% over the previous year. Among them, (i) coal-fired power generation was 413.8 TWh and accounted for the highest proportion of industrial electricity generation above designated size in Inner Mongolia, reaching 85.7%; (ii) wind power generation was 57.0 TWh and accounted for 11.8% of industrial electricity generation above designated size in Inner Mongolia, which was the highest proportion among the new energy sources which generated industrial electricity above designated size in Inner Mongolia; (iii) solar power generation was 8.5 TWh and accounted for 1.8% of industrial electricity generation above designated size in Inner Mongolia; and (iv) hydropower generation was 3.5 TWh and accounted for 0.7% of industrial electricity generation above designated size in Inner Mongolia.

Industrial Electricity Generation Above Designated Size in Inner Mongolia, China, 2018



Source: NBSC, Frost & Sullivan

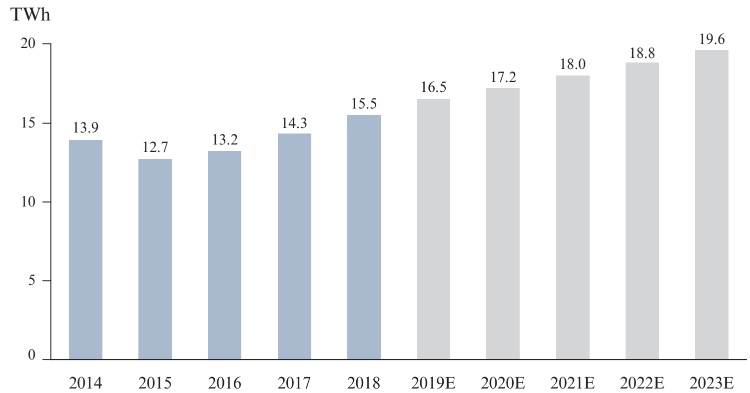
Furthermore, since Inner Mongolia is (i) located in one of the areas with the most abundant wind energy resources in China; and (ii) supported by policies such as Catalogue of Encouraged Industries in the Western Region (2020 Edition, Draft for Comment) 《西部地區鼓勵類產業目錄(2020年本，徵求意見稿)》 issued by NDRC in August 2020, which (a) proposed that it would accelerate the adjustment of the industrial structure and the development of characteristics and advantageous industries in the western region of Inner Mongolia; and (b) indicated that the wind power industry in Inner Mongolia would become the focus of development, the amount of wind power generation in Inner Mongolia is expected to continue to increase in the near future.

The total amount of electricity generated may not correspond with the total amount of electricity consumed in a region of the PRC in a given year due to various reasons, such as (i) intra-region transmission of electricity in the PRC; and (ii) the utilisation of technology, such as energy storage systems, which enable the storage and delayed consumption of electricity.

In Datong City, electricity consumption increased from 13.9 TWh in 2014 to 15.5 TWh in 2018 at a CAGR of 2.7%. It is estimated that it would continue increasing from 16.5 TWh to 19.6 TWh at a CAGR of 4.4% between 2019 and 2023.

Electricity Consumption in Datong City, China, 2014–2023E

CAGR	2015–2019	2020E–2024E
Datong City	2.7%	4.4%

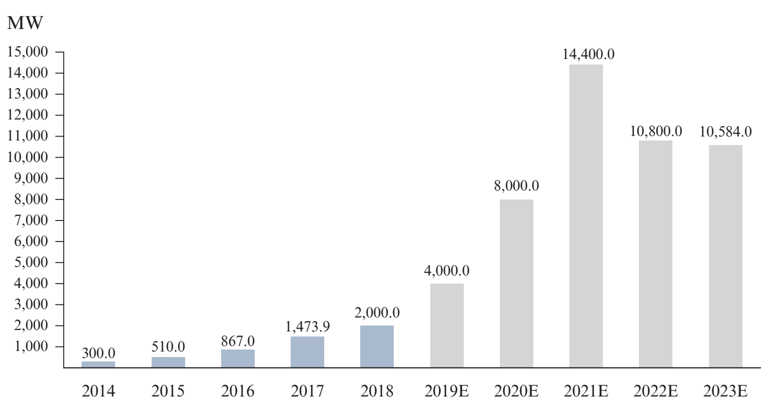


Source: Datong Bureau of Statistics, Frost & Sullivan

Market Size of Distributed Wind Farm Development Market

The distributed wind farm development market size in terms of newly installed capacity grew rapidly from 300.0 MW in 2014 to 2,000.0 MW in 2018 at the CAGR of 60.7%. From 2019 to 2023, it is anticipated to increase at a CAGR of 27.5% from 4,000.0 MW to 10,584.0 MW.

Market Size of the Distributed Wind Farm Development Market in China (by Newly Installed Capacity), 2014–2023



CAGR	Newly Installed Capacity
2014–2018	60.7%
2019E–2023E	27.5%

Source: CWEA, Frost & Sullivan

Market Size and Competitive Landscape of Distributed Wind Farm Development Market in Datong City, 2018–2020

Distributed wind farm development market in Datong City is at the beginning stage. In March 2018, the Shanxi Province government firstly initialled the list of bid-winning enterprises in The 13th Five-Year Plan for Constructing the Distributed Wind Power Projects in Shanxi Province (《山西省"十三五"分散式風電項目開發建設方案》). According to this, ten distributed wind farm development projects with a planned installed capacity of 59.1 MW would be constructed in Datong City from 2018 to 2020. Company L ranked first at the proportion of 28.8%, followed by Company M which accounted for 25.4%, and Company N which accounted for 11.8%.

Top Five Distributed Wind Farm Companies by Planned Installed Capacity, Datong, 2018–2020

Rank	Company Name	Planned Installed Capacity *(MW)*	Market Share
1	Company L	17.0	28.8%
2	Company M	15.0	25.4%
3	Company N	7.0	11.8%
4	Company O	6.1	10.3%
5	Company P	6.0	10.2%
	Others	8.0	13.5%
	Total	**59.1**	**100.0%**

Source: Frost & Sullivan

Company L is a local private enterprise in Shanxi Province, which conducts investment business in industries including energy, high technology, real estate, and tourism, etc.

Company M is a local private enterprise in Datong City, which focuses on the development of wind power.

Company N is a private enterprise whose business covers investment and operation of wind power and photovoltaic power.

Company O is an one integrated solution provider for new energy. It is committed to assisting renewable energy investors to conduct wind site selection, project planning, and wind farm construction, etc.

Company P is a private company which provides investment consultancy service including wind power investment.

Entry Barriers of Distributed Wind Farm Development Market

- ***High Technology Requirements***

Distributed wind farm development puts high technology requirements for wind farm developers. Through the whole distributed wind farm development process, wind farm developers are required to assess wind resources, design wind farms, and construct wind farms. Additionally, distributed wind farms are generally close to the densely populated areas, thereby putting higher technology standards for safety of wind turbines.

- ***Acquisition of Wind Power Users***

The acquisition of power users is an entry barrier to the distributed wind farm development market. According to Interim Measures for the Development and Construction of the Distributed Wind Power Projects (《分散式風電項目開發建設暫行管理辦法》), different from centralised wind power development, the Chinese Government encourages distributed wind farm developers to directly conduct market transactions with power users to achieve power consumption. Therefore, for distributed wind farm development market entrants, the key to gaining profit in this market is the availability of wind power users.

Opportunity and Challenge of Distributed Wind Farm Development Market

The eastern, central and southern regions of China (including Beijing, Tianjin, Hebei, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong, Hainan, Shanxi, Henan, Hubei, Hunan, Jiangxi, Anhui, Guangxi, Guizhou, Yunnan and Sichuan) is in great demand for power because of its huge population. But in terms of the power supply, the wind power development is mainly concentrated in the "Three North" (Northwest China, Northeast China, and North China) regions of China, which is far away from the demand area of power. Therefore, there exists a gap between the power demand and the power supply. But in the eastern, central and southern areas of China, the environment is comparatively complex with diverse topographic condition and dense population, consequently it is difficult to develop large-scale centralised wind power which needs broad open lands.

Distributed wind power helps to solve the dilemma of wind power development in the eastern, central and southern regions of China. Distributed wind power has many strengths, i.e., fewer requirements for wind speed and floor space, shorter power transportation distance, and closer to the power load centre for local consumption. Thus, the strengths of distributed wind power make it suitable to be developed in the eastern, central and southern regions of China.

Challenge of Distributed Wind Farm Development Market

Different from centralised wind power, distributed wind power is mainly developed in the low-wind-speed zones close to densely populated areas. To adapt to this environment, the distributed wind power is required to develop a series of standards, such as the wind turbine appearance standard, the tower height standard, noise standard, grid admission standard and safety standard, which could help the distributed wind power to adapt to the low-wind-speed environment and meet higher safety requirements.

However, there are no standardised industry standards in the distributed wind farm development industry. Therefore, without standardised industry standards as a reference, some local governments are reluctant to approve distributed wind farm projects, which hinders the advancement of the distributed wind farm development industry to some extent.

OVERVIEW

We are based in the PRC and our principal subsidiaries are set up in the PRC. We primarily engage in the R&D, integration, manufacture and sale of pitch control systems for wind turbines. We have a production plant located in Jiangyin of Jiangsu Province, the PRC. We are also a wind power generator through the operation of our Duolun Wind Farm situated in Inner Mongolia. As a wind power solution provider, we also offer wind farm maintenance services and other wind power related business. Our Controlling Shareholder holds a Canadian passport and is regarded as a foreign investor in the PRC and the entities he invested in are regarded as foreign-invested enterprises under the PRC laws. This section sets out the summaries of certain aspects of the applicable laws and regulations governing our formation, operations and business.

REGULATIONS ON FOREIGN INVESTMENT

Foreign Investment Industrial Policy

Investments in the PRC by foreign investors are regulated by the Catalogue for the Encouragement of Foreign Investment Industries (2019) (鼓勵外商投資產業目錄(2019年版)) (the "**Encouragement of Foreign Investment Catalogue 2019**") and Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) (外商投資准入特別管理措施(負面清單)(2020年版)) (the "**Negative List 2020**"), which were both promulgated by the MOFCOM and the National Development and Reform Commission (the "**NDRC**") and became effective on 30 July 2019 and 23 July 2020, respectively. According to the Encouragement of Foreign Investment Catalogue 2019, manufacturing of complete sets of equipment or key equipment for new energy power generation, including wind power generation with the capacity of 2.5 megawatts or more, and construction and operation of new energy power stations, including wind energy, fall into the industries for encouraging foreign investment.

Foreign Investment Law and its Implementation Measures

On 15 March 2019, the SCNPC promulgated the Foreign Investment Law (外商投資法), which became effective on 1 January 2020 and replaced the Sino-Foreign Equity Joint Venture Law (中外合資經營企業法), the Sino-Foreign Cooperative Joint Venture Law (中外合作經營企業法) and the Wholly Foreign-Owned Enterprise Law (外資企業法). On 26 December 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (外商投資法實施條例), or the Implementing Rules, which became effective on 1 January 2020 and replaced the Implementing Rules of the Sino-Foreign Equity Joint Venture Law (中外合資經營企業法實施條例), the Implementing Rules of the Sino-Foreign Cooperative Joint Venture Law (中外合作經營企業法實施細則) and the Implementing Rules of the Wholly Foreign-Owned Enterprise Law (外資企業法實施細則).The organisation form, organisation and activities of foreign invested enterprises shall be governed, among others, by the PRC Company Law and the PRC Partnership Enterprise Law. Foreign-invested enterprises established before the implementation of the Foreign Investment Law may retain the original business organisation and so on within five years after the implementation of this Law.

The Implementation Rules restates certain principles of the Foreign Investment Law and further provides, among others, if a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law fails to adjust its legal form or the governing structure to comply with the provisions of the PRC Company Law or the PRC Partnership Enterprise Law, as applicable, and complete the amendment registration accordingly before 1 January 2025, the market regulatory departments will not process other registration matters of such foreign-invested enterprise and will publicise such non-compliance issues thereafter.

In accordance with the Measures for Reporting the Information on Foreign Investment (外商投資信息報告辦法) issued jointly by the MOFCOM and SAIC on 30 December 2019 and became effective on 1 January 2020, with respect to the establishment and changes of the foreign-invested enterprises, the record-filing administration process is now replaced by the information reporting process with the relevant local commerce departments. Foreign investors or foreign-invested enterprises shall report relevant information required by the applicable laws to the commerce departments through the enterprises registration system and the National Enterprise Credit Information Publicity System.

Company Law of the PRC

The PRC Company Law, which was promulgated by the SCNPC on 29 December 1993 and came into effect on 1 July 1994 (subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018), provides that companies established in the PRC may take the form of company of limited liability or company limited by shares. Each company has the status of a legal person and owns its assets itself. Assets of a company may be used in full for the company's liability. The PRC Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

REGULATIONS RELATED TO ELECTRONIC POWER

Regulations Related to Electric Power Business

Pursuant to the Renewable Energy Law of the PRC (中華人民共和國可再生能源法) (the "**Renewable Energy Law**") issued by the SCNPC, which came into effect on 1 January 2006, and amended on 26 December 2009, renewable energy comprises of wind energy, solar energy, hydro energy and other non-fossil energy. Renewable Energy Law has formulated the regulatory framework for the development and use of renewable energy.

The Electric Power Law of the PRC (中華人民共和國電力法), or the Electric Power Law, which came into effect on 1 April 1996 and amended on 27 August 2009, 24 April 2015 and 29 December 2018, can be regarded as the fundamental law for the electric power industry. The Electric Power Law, which generally applies to the construction, generation, supply and consumption of electric power in the PRC, provides that environmental protective technology shall be adopted to decrease the discharge of noxious waste, and power generation with renewable and clean energy is encouraged and supported. The State encourages and provides guidance to lawful investment in the development of power resources and establishment of power-generating enterprises by economic organisations or individuals at home and abroad.

On 13 October 2005, the State Electricity Regulatory Commission ("**SERC**") promulgated the Provisions on the Administration of Electric Power Business Permits (電力業務許可證管理規定), or the Administration Provisions, which came into effect on 1 December 2005 and was amended on 30 May 2015. Pursuant to the Administration Provisions, an enterprise that undertakes any business operation of electric power within the territory of the PRC shall obtain the Electric Power Business License. The Electric Power Business License is classified into three types: electricity generation, electricity transmission and electricity supply. The enterprises engage in the electricity generation business shall obtain an Electric Power Business License with the business type of electricity generation. The enterprises engage in the business of electric power without an Electric Power Business License shall be ordered to stop such practice, any illegal proceeds shall be forfeited and fines up to five times the illegal proceeds may be concurrently imposed, and where a crime is committed, such enterprises shall be subject to criminal liabilities.

Regulations Related to Wind Power Equipment

On 23 December 2010, NDRC issued the Circular on Printing and Distributing the Opinions on Promoting the Healthy and Orderly Development of Wind Power Equipment Industry (國家發展和改革委員會關於印發促進風電裝備產業健康有序發展若干意見的通知), promoting the wind power equipment manufacturing industry and wind power industry to develop synchronously. On 5 September 2014, NEA issued the Notice on Relevant Requirements for Regulating Order in the Wind Power Equipment Market (關於規範風電設備市場秩序有關要求的通知), setting the requirement of type approval certification for wind turbines and their key components.

Regulations Related to Wind Power Construction

On 25 August 2011, the NEA issued the Interim Measures for the Administration of the Development and Construction of Wind Power (風電開發建設管理暫行辦法), which provides principal rules for the construction plan, preliminary development, project approval, acceptance inspection and operation supervision of wind farms. On 29 December 2016, the NEA and the State Oceanic Administration issued the Offshore Wind Power Development and Construction Administration Measures (海上風電開發建設管理辦法) which states that the NEA and the State Oceanic Administration will work together on the planning and administration of offshore wind power development. Energy officials at or below provincial level shall review and approve offshore wind power projects in accordance with relevant laws and regulations.

On 27 May 2017, the NEA issued the Notice on Accelerating the Construction of Distributed Wind Power Projects (關於加快推進分散式接入風電項目建設有關要求的通知), which pointed out that it is necessary to properly implement the construction of distributed wind power project and to explore an effective model to achieve it. Provincial-level energy authorities shall adjust plans in a timely manner basing on practical situation. Distributed wind power projects are not limited by the scale stated in annual guidance. Provincial-level energy authorities are encouraged to research and simplify approval process for projects that have been approved to be included in the plan. On 3 April 2018, the NEA issued the Interim Administrative Measures for the Development and Construction of Distributed Wind Power Projects (分散式風電項目開發建設暫行管理辦法), in which all local authorities are required to simplify the approval process for distributed wind power projects to establish an efficient working mechanism and are encouraged to explore the trial implementation of project approval commitment system. Pilot reform of market-oriented trading of distributed wind power is encouraged to be promoted in the project location.

On 28 May 2019, the NEA issued the Notice on Matters Concerning the Construction of Wind Power and Photovoltaic Power Generation Projects in 2019 (關於2019年風電、光伏發電項目建設有關事項的通知), which provides for four general requirements for the construction of wind and photovoltaic power generation projects in 2019, including (i) promoting the construction of grid parity projects, (ii) strictly regulating the competitive allocation of subsidised projects, (iii) comprehensively implementing power supply and consumption conditions, and (iv) optimising the investment and business environment. On 5 March 2020, the NEA issued the Notice on Matters Concerning the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (關於2020年風電、光伏發電項目建設有關事項的通知), which provides that, among others, (i) the provincial energy administration shall organise the wind power and photovoltaic power generation enterprises to report or update the project information about approval (filing) of such project, commencement of such project, project in construction or grid connection; (ii) State Grid Corporation of China, China Southern Power Grid, Inner Mongolia Power (Group) Co., Ltd. and New Energy Consumption Monitoring and Warning Center shall calculate and evaluate the absorption ability of the increased wind power and photovoltaic power generation projects of each province in 2020 timely and shall publish the result of such calculation and evaluation which shall be re-examined by the NEA before the end of March 2020; and (iii) the enterprises which invest in the wind power and photovoltaic power generation projects shall organise to start construction of such projects orderly and strengthen the quality control to insure the safety of construction and production.

On 31 July 2020, the NDRC and the NEA jointly issued the Notice on Publishing the Grid Parity Projects of Wind Power and Photovoltaic Power in 2020 (《關於公布2020年風電、光伏發電平價上網項目的通知》), which states that the grid parity projects of wind power and photovoltaic power in 2020 and the first batch of 2019 shall be approved (or registered) and commence construction before the end of 2020, among which the wind power projects shall accomplish grid connection before the end of 2022 unless affected by the limited power consumption.

Regulations Related to Pricing

On 20 July 2009, NDRC issued the Notice on Improving the Policy on On-grid Prices for Wind Power Generation (關於完善風力發電上網電價政策的通知), standardising the administration of wind power price by the means of determining benchmark on-grid prices for onshore wind power by resource regions. Each wind power generation enterprise shall record truly and completely the relevant documents about the on-grid energy, on-grid price and subsidies for the wind power project and accept the supervision and regulation from the competent governmental authorities. According to the Notice on Improving the Policy on On-grid Prices for Wind Power Generation, as divided as Class I resource region, in most part of Inner Mongolia, including Duolun, the on-grid price for wind power projects approved since 20 July 2009 is RMB0.51/kWh.

On 22 December 2015, NDRC issued the Notice on Improving the Benchmark On-grid Price Policy for Onshore Wind Power and Photovoltaic Power (關於完善陸上風電光伏發電上網標桿電價政策的通知), lowering the on-grid price for onshore wind power projects approved since 1 January 2016 and encouraging to determine the owner and on-grid price for onshore wind power, photovoltaic power and other new energy projects through market competition, such as bidding, but the on-grid price set through market competition shall not be higher than the local benchmark on-grid price for similar onshore wind power and photovoltaic power projects stipulated by the State. On 26 December 2016, NDRC issued the Notice on Adjusting the Benchmark On-grid Price for Photovoltaic Power and Onshore Wind Power (關於調整光伏發電陸上風電標桿上網電價的通知), which states to lower the benchmark on-grid price for onshore wind power projects which are newly approved after 1 January 2018.

On 7 January 2019, the NDRC and the NEA issued the Notice on Promoting the Work Concerning Grid Parity for Wind Power and Photovoltaic Power (關於積極推進風電、光伏發電無補貼平價上網有關工作的通知) to encourage pilot grid parity projects and promote the development of non-subsidised wind and solar power projects through market-oriented trading of electricity. On 21 May 2019, the NDRC issued a Notice on Improving the Policy on On-grid Prices for Wind Power (關於完善風電上網電價政策的通知), which clearly states that the benchmark on-grid prices for onshore and offshore wind power shall be adjusted to guidance on-grid prices for onshore and offshore wind power. Pursuant to the Notice on Improving the Policy on On-grid Prices for Wind Power, all newly approved onshore wind power projects shall implement subsidy-free grid parity policy since 1 January 2021, and offshore wind power projects which complete grid connection in 2022 and beyond shall implement the guidance on-grid price for wind power of that year.

On 14 March 2012, the MOF, the NDRC and the NEA jointly issued the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy (可再生能源電價附加補助資金管理暫行辦法), setting standardised procedures for the settlement of the tariff premium fund and project-based approvals are required before allocating the funds to local grid companies. It provides that the subsidy standard for wind power projects might be determined by the on-grid price for wind power and the benchmark on-grid price for coal-fired power. On 20 January 2020, the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy was repealed by the Administrative Measures for Tariff Premium Funds for Renewable Energy (可再生能源電價附加資金管理辦法) which proposes that the projects on the list of subsidy shall be subsidised with fixed amount or the fund shall be determined according to the price difference between the on-grid price for wind power and the benchmark on-grid price for coal-fired power.

On 3 April 2018, the NEA promulgated the Interim Administrative Measures for the Development and Construction of Distributed Wind Power Projects (分散式風電項目開發建設暫行管理辦法), providing that the distributed wind power projects' on-grid electricity, except for the amount generated for its own use, shall be purchased by the grid enterprises at the local benchmark on-grid price for wind power and are subsidised at the same price difference standard with centralised wind farms.

REGULATIONS RELATED TO PRODUCT QUALITY AND CONSUMERS PROTECTION

According to the Product Quality Law of the PRC (中華人民共和國產品質量法), which was effective as from 1 September 1993 and amended by the SCNPC on 8 July 2000, 27 August 2009 and 29 December 2018 respectively, producers shall be liable for the quality of the products they produce, the products shall meet the quality requirements, and constitute no unreasonable threats to personal safety or safety of property, and conform to the national standards or the sectoral standards for ensuring human health, personal safety and safety of property, where there are such standards. Producers may not mix impurities or imitations into products, or pass counterfeit goods off as genuine ones, or defective products as good ones or substandard products as standard ones. For producers, any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, confiscation of products illegally manufactured or sold and the proceeds from the sales of such products illegally manufactured or sold and even revoking business license; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities.

The Tort Law of the PRC (中華人民共和國侵權責任法), which was promulgated by the SCNPC on 26 December 2009 and came into effect on 1 July 2010, stipulates that manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage. On 28 May 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th National NPC, which will become effective on 1 January 2021 and simultaneously replace the currently effective Tort Law of the PRC. The Civil Code of the PRC does not make material changes on the substance of aforementioned provisions of the Tort Law of the PRC.

REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated on 26 December 1989, amended on 24 April 2014 and effective on 1 January 2015, the environmental protection administrative department of the State Council is responsible for the overall supervision and administration of the environment across the country and for setting the national environmental quality standards, pollutant discharge standards and a system for the supervision of the environment in China. Provincial governments may develop local environment quality standards if no provisions have been made in the national standards with respect to pollutant discharge. A provincial government may establish any local environmental quality standards stricter than the national standards in respect of any environmental items and such local environmental quality standards shall be filed with the environmental protection administrative department of the State Council for record.

Pursuant to the Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法) promulgated by the SCNPC on 28 October 2002 with effect from 1 September 2003 and most recently amended on 29 December 2018, and Regulations on the Administration of Construction Project Environment (建設項目環境保護管理條例), which was promulgated by the State Council and became effective on 29 November 1998 and most recently amended on 16 July 2017, the State implements classified administration over the assessment of the environmental impacts of construction projects according to the estimated level of such impact on the environment. Prior to the commencement of construction, environmental impact assessment documents of the construction project shall be reviewed and approved or recorded by the competent administrative authority of environmental protection in accordance with the following rules:

1. For projects with potentially serious environmental impact, an environmental impact report shall be prepared to provide a comprehensive assessment of their environmental impacts;

2. For projects with potentially mild environmental impact, an environmental impact statement shall be prepared to provide an analysis or specialised assessment of their environmental impacts; and

3. For projects with very small environmental impact so that an environmental impact assessment is not required while an environmental impact registration form shall be filled out.

A construction unit shall be punished in accordance with the Law on Environmental Impact Assessment of the PRC if it: (i) commences construction before submitting the environmental impact report or environmental impact statement of the construction project for approval or re-examination in accordance with the law; (ii) commences construction without authorisation before the environmental impact report or environmental impact statement of the construction projects is approved or approved after re-examination; or (iii) fails to file the environmental impact registration form of the construction project for record in accordance with the law.

According to the Provisional Measures for Administration of Land Use for Engineering Construction and Environmental Protection of Wind Farm (風電場工程建設用地和環境保護管理暫行辦法), which was promulgated on 9 August 2005 by the NDRC, Ministry of Land and Resources and State Environmental Protection Administration and became effective on the same date, the construction project of wind farm shall complete the assessment of the environmental impact, and such assessment shall be approved by the provincial environmental protection administration.

REGULATIONS RELATED TO THE REAL ESTATE

According to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated on 25 June 1986 by the SCNPC and last amended on 26 August 2019, lands owned by the State might be remised or allotted to construction units or individuals in accordance with the law. The land shall be obtained by means of paid use such as transfer, payment of land use right transfer fee and other fees, and corresponding land use right certificates shall be handled. The Regulations on the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) promulgated on 27 December 1998 by the State Council and last amended on 29 July 2014, provides for the implementation of a system of land registration and certification. Land ownership and land use rights registered in accordance with the relevant law are legally protected, no unit or individual may infringe upon them.

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land (城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on 19 May 1990, a system of assignment and transfer of the right to use state-owned land was adopted. A land user shall pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate that evidences the acquisition of land use rights.

The Interim Regulations on Real Estate Registration (不動產登記暫行條例), promulgated by the State Council on 24 November 2014, became effective on 1 March 2015 and amended on 24 March 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (不動產登記暫行條例實施細則) promulgated by the Ministry of Land and Resources on 1 January 2016 and amended on 24 July 2019, provide that, among other things, the State implements a uniform real estate registration system and the registration of real estate shall be strictly administered and carried out in a stable and continuous manner that provides convenience for people.

According to the Provisional Measures for Administration of Land Use for Engineering Construction and Environmental Protection of Wind Farm (風電場工程建設用地和環境保護管理暫行辦法), the land for engineering construction of wind farm shall be subject to the principle of frugally and intensively using the land, use the unutilised land as possible as it could, occupy less or no tillable field, and try the best to avoid the areas need special protection as duly approved by any governmental department at or above the provincial level. Any unit of construction land use shall obtain the preliminary examination and approval document for land use before applying for verification. According to the Notice on Regulating the Use of Forestland in the Construction of Wind Farm Projects (國家林業和草原局關於規範風電場項目建設使用林地的通知) issued by the State Administration of Forestry and Grassland on 26

February 2019, the relationship between the development of wind power and the protection of forest resources shall be properly handled, and the construction of wind farms shall use forestland economically and intensively.

According to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), issued on 1 December 2010 and effected on 1 February 2011, house leasing shall be conducted under the principles of equality, free will, legality, honesty and good faith. A lease contract shall be registered with local administrative authorities of real estate within 30 days after entering into the lease contract.

REGULATION RELATED TO PRODUCTION SAFETY

Pursuant to the Production Safety Law of the PRC (中華人民共和國安全生產法) which was promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014, business entities shall strengthen their work safety management, enhance work safety conditions, promote work safety standardisation and improve work safety levels. Entities which cannot meet the safety conditions prescribed by laws, regulations and national or industry standards shall not engage in production or other business activities. To ensure work safety rules are observed in the production process, business entities shall establish and improve their work safety responsibility systems and work safety policies which specify responsible person(s) at each position, the scope of duties and evaluation criteria. Business entities shall provide their employees with labour protection equipment and work safety training. Where the primary person in charge of a business entity fails to perform his or her duties in respect of work safety, he or she would be subject to legal liabilities, depending on the seriousness of the relevant work safety accidents.

According to the Opinions on Strengthening the Safety Work of Wind Power (關於加強風電安全工作的意見), which was promulgated by the State Electricity Regulatory Commission and became effective on 1 March 2012, wind power enterprises shall establish and improve the rules of safety production, define the responsibility of safety production, strengthen the management of safety production, and ensure the necessary safety investment, allocate full-time (part-time) safety officers and technical personnel, perform safety responsibilities, strengthen on-site safety production management, and promote standardised safety production of electric power.

According to the Measures for the Supervision and Administration of Power Work Safety (電力安全生產監督管理辦法) which was promulgated by the NDRC and became effective as of 1 March 2015, as the subject of responsibility for power production safety, an electric power enterprise shall, in accordance with the laws, regulations, rules and standards of the State on work safety, establish and improve the power production safety responsibility system, strengthen the administration of power production safety, and improve the safety conditions for power production so as to ensure power production safety. The NEA and its dispatched offices shall supervise and administer the electric power enterprises' electric power operation safety (excluding nuclear safety), electric power construction safety, electric power project quality safety, electric power emergency response, hydropower station dam operation safety and electric power reliability, etc.

According to the Regulations on the Emergency Disposal and Investigation of Electrical Safety Accidents (電力安全事故應急處置和調查處理條例) which was promulgated by the State Council on 7 July 2011 and became effective as of 1 September 2011, according to the impact on the safe and stable operation of the electrical power system or the normal supply of electric power (heat), the electrical safety accidents are classified into extraordinarily serious accidents, serious accidents, relatively serious accidents and ordinary accidents. After an electrical safety accident occurs, the electrical power enterprise and other relevant entities shall, in accordance with relevant laws, regulations and rules, report such accident timely and accurately, and launch the emergency disposal of such accident to prevent the accident from spreading and alleviate the damages caused by the accident. The electrical power enterprise shall resume electrical power generation, operation of the power grid and the normal supply of electrical power (heat) as soon as possible.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment Laws

The PRC Labour Law (中華人民共和國勞動法), which became effective on 1 January 1995 and was amended on 27 August 2009 and 29 December 2018, and PRC Labour Contract Law (中華人民共和國勞動合同法) (the "**Labour Contract Law**"), which became effective on 1 January 2008 and was amended on 28 December 2012, provide for collective contracts to be developed through collaboration between the labour union (or employees representatives in the absence of a union) and management that specify such matters as working conditions, wage scale, and hours of work. The laws also permit employees and employers in all types of enterprises to sign individual contracts, which shall be drawn up in accordance with the collective contract. The Labour Contract Law, together with the Regulations on the Implementation of the Labour Contract Law (勞動合同法實施條例), which became effective on 18 September 2008, has enhanced rights for employees, including allowing labour contracts without a fixed term while with economic compensation. The legislation requires employers to provide written contracts to their employees, and makes it harder for employers to lay off employees. It also requires that employees be entitled to term-flexible contracts after a fixed-term contract has been concluded on two consecutive occasions or the employee has worked for the employer for a consecutive ten-year period.

Social Insurance and Housing Funds

As required under the Regulation of Insurance for Labour Injury (工傷保險條例), amended on 20 December 2010 and came into effect on 1 January 2011, the Provisional Measures on Maternity Insurance for Employees of Enterprises (企業職工生育保險試行辦法) implemented on 1 January 1995, the Decisions of the State Council on the Establishment of a Unified Basic Pension Insurance System (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on 16 July 1997, the Decisions of the State Council on the Establishment of the Medical Insurance System for Urban Workers (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on 14 December 1998, the Unemployment Insurance Measures (失業保險條例) promulgated on 22 January 1999, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵

繳暫行條例) promulgated on 22 January 1999 and amended on 24 March 2019, and the Social Insurance Law of the PRC (中華人民共和國社會保險法) implemented on 1 July 2011 and amended on 29 December 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. Enterprises must register with local social insurance agencies for social insurance and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a daily late fee equivalent to 0.05% of the overdue amount. If the overdue amount is still not settled within the stipulated time period, an additional fine at the amount of one to three times of the overdue amount will be imposed.

According to the Regulation on the Administration of Housing Fund (住房公積金管理條例), which was promulgated by the State Council on 3 April 1999, became effective on the same date and was amended on 24 March 2002 and 24 March 2019, enterprises must register with the competent managing centre for housing funds and, upon the examination by such managing centre of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to the special housing accumulation fund account in a bank. Any employer who fails to contribute may be ordered to make good the deficit within a stipulated time limit or applied to a People's Court for compulsory enforcement by local administrative authorities.

REGULATIONS ON THE INTELLECTUAL PROPERTY

Trademark

Trademarks are protected by the Trademark Law of the PRC (中華人民共和國商標法) which was promulgated on 23 August 1982,subsequently amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, and became effective on 1 November 2019, as well as the Implementation Regulations of the PRC Trademark Law (中華人民共和國商標法實施條例) adopted by the State Council on 3 August 2002 and revised on 29 April 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten-years. A registered trademark may be used after its expiration if an application for renewal is made within 12 months before its expiration. If such application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten years as of the following day of the date of expiration of its previous period of validity. If the formalities for renewal have not been handled upon the extension period, the registered trademarks shall be deregistered. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Patent

According to the Patent Law of the PRC (中華人民共和國專利法), which was promulgated by the SCNPC on 12 March 1984 and implemented on 1 April 1985, and subsequently revised on 4 September 1992, 25 August 2000 and 27 December 2008, and the Implementation Regulations of the Patent Law of the PRC (中華人民共和國專利法實施細則) which was promulgated by the State Council on 15 June 2001 and implemented on 1 July 2001, and subsequently revised on 28 December 2002 and 9 January 2010, the patent administration department of National Intellectual Property Administration is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, "invention", "utility model" and "design". Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, starting from the date of application. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability.

According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent licence contract with the patent owner concerned and pay patent royalties to the patent owner. The licencee does not have the right to allow any entity or individual not specified in the contract to exploit such patent.

Copyright

According to the Copyright Law of the PRC (中華人民共和國著作權法) (the "**Copyright Law**") which was promulgated by the SCNPC on 7 September 1990 and implemented on 1 June 1991, and subsequently revised on 27 October 2001 and 26 February 2010, and the Implementation Regulations of the Copyright Law of the PRC (中華人民共和國著作權法實施條例) (the "**Implementation Regulations of the Copyright Law**") which was promulgated by the State Council on 2 August 2002 and implemented on 15 September 2002, and subsequently revised on 30 January 2013, a Chinese citizen, legal person or other organisation is entitled to the copyright thereunder for any works, whether published or not, that are originated by them. The abovementioned works include literary works; oral works; music, theatre, opera, dance and acrobatic works; art and architecture works; photograph works; film works and any works created through a process similar to cinematography; engineering design diagrams, product design graphics, maps, sketches and other graphic works and model works; and computer software, etc.; any work of a foreigner or stateless person which enjoys copyright under an agreement concluded between the country to which the author belongs or in which the author permanently resides and China, or under an international treaty to which both countries are parties, and any work of an author from a country not having concluded an agreement with China or entered into an international treaty jointly with China or of a stateless person, which is published for the first time in a country as a member of the international treaty into which China has entered or published in a member country and non-member country at the same time, shall be protected by the Copyright Law and the Implementation Regulations of the Copyright Law. Any work of a foreigner or stateless person published for the first time and within the territory of China shall enjoy copyright according to law. The term "copyright" includes moral rights and economic rights and anyone who commits infringements of the copyright must undertake relevant civil liabilities.

According to the Regulations for the Protection of Computer Software (計算機軟件保護條例) which was promulgated by the State Council on 4 June 1991 and implemented on 1 October 1991, and subsequently revised on 20 December 2001 and 30 January 2013, and the Measures for Computer Software Copyright Registration (計算機軟件著作權登記辦法) which was promulgated and implemented by the Ministry of Machine Building and Electronics Industry (currently known as the Ministry of Industry and Information Technology (the "**MIIT**")) on 6 April 1992 and subsequently revised by the National Copyright Administration on 20 February 2002, the software copyright holder can register the software copyright registration to the Copyright Protection Centre of China, which is the software registration agency identified by the National Copyright Administration.

REGULATIONS ON TAXATION

EIT

On 16 March 2007, the National People's Congress promulgated the EIT Law which was amended on 24 February 2017 and 29 December 2018, and the State Council promulgated the Regulations for the Implementation of the Law on Enterprise Income Tax of the PRC (中華人民共和國企業所得稅法實施條例) (the "**EIT Regulations**") on 6 December 2007 which was further amended on 23 April 2019. According to the EIT Law and the EIT Regulations, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries or regions and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and the EIT Regulations and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the EIT is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

According to the EIT Law and the EIT Regulations, an enterprise certified as a National New High-tech Enterprise was subject to a preferential EIT of 15%. In accordance with the Measures for Administration of Recognition of High and New Technology Enterprise (高新技術企業認定管理辦法) effective from 1 January 2008 and amended on 29 January 2016, an enterprise certified as a National New High-tech Enterprise is subject to review by the relevant PRC authorities and shall submit the information about the relevant intellectual property, scientific and technical personnel, research and development expense, operating revenue of previous year and other annual status on the required official website. According to the Announcement of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Policies for High and New Technology Enterprises (國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的通知), which was promulgated by SAT on 19 June 2017 and became effective on the same date, an enterprise may, upon being qualified as a National New High-tech Enterprise, apply for preferential income tax treatment as of the year in which the National New High-tech Enterprise Enterprise Certificate is issued, and shall complete the filing formalities with the competent taxation authority as required. In the exact year when the National New High-tech Enterprise Enterprise Certificate expires, the enterprise shall pay in advance enterprise income tax at a rate of 15% for the time being until it is re-identified as a National New High-tech Enterprise, and shall make supplementary payment of taxes for the corresponding period as required, if it fails to obtain such qualification by the end of that year.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例) last amended on 19 November 2017, and its Implementation Rules (中華人民共和國增值稅暫行條例實施細則) promulgated by the MOF and last amended on 28 October 2011, tax payers engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay VAT.

On 16 November 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying Value-Added Tax in lieu of Business Tax (營業稅改徵增值稅試點方案). Starting from 1 January 2012, the PRC Government has been gradually implementing a pilot programme in certain provinces and municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of the business tax.

The Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (for Trial Implementation) (營業稅改徵增值稅跨境應稅行為增值稅免稅管理辦法(試行)), which was promulgated on 6 May 2016 by the SAT and revised on 15 June 2018, provides that if a domestic enterprise provides cross-border taxable activities such as professional technology services, technologies transfer, software service etc., the above-mentioned cross-border taxable activities shall be exempted from the VAT.

On 23 March 2016, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) which confirms that business tax will be completely replaced by the VAT starting from 1 May 2016.

Pursuant to the Notice of the MOF and the SAT on the Adjustment to Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知) issued on 4 April 2018 and came into effect on 1 May 2018, the tax rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Notice on Value-added Tax Policies Applicable to Wind Power Generation (關於風力發電增值稅政策的通知) jointly issued by the MOF and SAT on 12 June 2015, taxpayers who sell electric power products produced by themselves with wind power shall enjoy the policy of immediate refund of 50% of the VAT levied from 1 July 2015.

Dividend Tax

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) promulgated on 10 September 1980, as amended on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007, 30 June 2011, 31 August 2018 and the latest amendment has been effective as of 1 January 2019 and the Provisions on the Implementation of the Individual Income Tax Law (中華人民共和國個人所得稅法實施條例) promulgated on 28 January 1994, as amended on 19 December 2005, 18 February 2008, 19 July 2011 and 18 December 2018 and the last amendment had been effective as of 1 January 2019, dividends declared by PRC companies to individuals are ordinarily subject to a PRC individual income tax levied at the rate of 20%. For a non-resident individual, the receipt of dividends from a company in the PRC is normally subject to the above rule unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

According to the EIT Law and the EIT Regulations, income from equity investment, such as dividends and bonuses, between eligible resident enterprises, shall be tax-exempt income. A non-resident enterprise is subject to a 10% EIT on the income sourced from the PRC provided that such non-resident enterprise does not have an establishment or place in the PRC, or where there is an establishment or place, there is no connection between the income received and such establishment or place. The aforesaid income tax payable by the non-resident enterprises shall be withheld at source, for which the payer thereof shall be the withholding agent. Such withholding tax may be reduced pursuant to an applicable double taxation avoidance agreement or arrangement.

Urban Maintenance and Construction Tax

According to the Interim Regulations on Urban Maintenance and Construction Tax of the PRC (中華人民共和國城市維護建設稅暫行條例), promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, the City Maintenance and Construction Tax shall be imposed based on the amount of Product Tax, Value Added Tax and/or

Business Tax actually paid by Taxpayers. It is taxed at three different rates depending on the taxpayer's location: 7% for urban areas, 5% for county areas, and 1% for other areas. On 11 August 2020, the SCNPC promulgated the Urban Maintenance and Construction Tax Law of the PRC (中華人民共和國城市維護建設稅法), which will come into force on 1 September 2021 and replace the Interim Regulations on Urban Maintenance and Construction Tax of the PRC simultaneously. According to the Urban Maintenance and Construction Tax Law, the City Maintenance and Construction Tax will be imposed based on the amount of VAT and/or Product Tax paid by taxpayers at the same tax rates as the Interim Regulations on Urban Maintenance and Construction Tax.

Educational Surtax

Pursuant to the Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定), promulgated by the State Council on 28 April 1986, amended subsequently on 7 June 1990, 20 August 2005 and 8 January 2011, educational surtax is imposed at 3% of the amount of VAT and consumption tax payable by the taxpayer.

In addition, the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), promulgated by the State Council on 18 October 2010 and became effective on 1 December 2010, has regulated that the foreign-invested enterprises, wholly-foreign-owned enterprises and foreigners are also subject to the above relevant laws, regulations and policies concerning urban maintenance and construction tax and educational surtax.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends of foreign holding companies include the PRC Company Law and the Foreign Investment Law. Under the relevant laws and regulations, foreign investment enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, WFOEs in the PRC, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

Under the Regulations of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) which was promulgated on 29 January 1996 and last amended on 5 August 2008 and various regulations issued by the SAFE and other relevant PRC government authorities, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments and loans, requires the prior approval from or registration with the SAFE or other relevant competent authorities. Foreign exchange income under the current accounts may be retained or sold to a financial institution engaging in settlement and sale business of foreign exchange pursuant to relevant rules and regulations of the PRC. For foreign exchange income under the capital accounts, approval from the relevant foreign exchange administrative authority is required for its retention or sale to a financial institution engaging in settlement and sale business of foreign exchange, except where such approval is not required under the relevant rules and regulations of the PRC.

On 4 July 2014, the SAFE Circular No. 37 was issued by SAFE. Pursuant to the SAFE Circular No. 37, if a domestic individual resident directly establishes or indirectly controls an offshore enterprise (the "**SPV**") with his/her legally owned assets or equity in a domestic enterprise, or legally owned offshore assets or equity, for the purpose of overseas investment and financing, he/she shall complete the foreign exchange registration of overseas investments with the SAFE or its local offices before making contributions to the SPV with his/her legally owned onshore and offshore assets or equity. Following the initial registration, any change of basic information such as individual shareholder, name and term of operation or, upon capital increase or deduction, share transfer or swap, merger or division and other significant changes, shall be reported to the SAFE timely for foreign exchange alteration of the registration formality for overseas investment. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No. 13**"), which became effective on 1 June 2015, banks are required to review and carry out foreign exchange registration under offshore direct investment directly. The SAFE and its local offices shall indirectly supervise foreign exchange registration of direct investment via banks. In addition, according to the procedural guidelines as attached to the SAFE Circular No. 13, the principle of review has been changed to the following, that is, "the domestic individual resident is only required to register the SPV directly established or controlled by him/her (in other words, the first level)".

On 4 July 2014, the SAFE promulgated the Notice on the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-Invested Enterprises in Certain Areas (國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知) (the "**SAFE Circular No. 36**"), which launched the pilot reform of the administrative approach regarding the settlement of the foreign exchange capitals of foreign-invested enterprises in certain areas. On 30 March 2015, the SAFE promulgated the Circular Concerning Reform of the Administrative Approaches to Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the "**SAFE Circular No. 19**") to expand the reform nationwide, the SAFE Circular No. 36 was simultaneously repealed. The SAFE Circular No. 19 allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the SAFE Circular No. 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange office (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, the SAFE Circular No.

19 and the Circular on the Policies for Reforming and Standardizing the Administration of Foreign Exchange Settlement under the Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (the "**SAFE Circular No. 16**") continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing (except for security investment or guarantee products issued by banks), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. On 23 October 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知) (the "**SAFE Circular No. 28**") which was implemented on the same date. Under the SAFE Circular No. 28, besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds under the condition that the Negative List in force are not violated and the relevant domestic investment projects are true and compliant. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

On 26 January 2017, the SAFE promulgated the Circular on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) (the "**SAFE Circular No. 3**"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) when a bank handles outward remittance of profits equivalent to more than USD50,000 for a domestic institution, under the principle of authentic transaction, the bank shall check board resolutions regarding profit distribution, the original version of tax filling records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to the SAFE Circular No. 3, domestic entities shall give detailed explanations of the sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

LAWS AND REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

The M&A Rules was jointly promulgated by six PRC governmental authorities, namely the MOFCOM, the SAT, the SAFE, the SAIC, the SASAC and the CSRC on 8 August 2006, came into effect on 8 September 2006 and was subsequently amended on 22 June 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing of the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the assets of a domestic company by agreement, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules requires, among other things, offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by the PRC companies or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

OVERVIEW

The history of our Group may be traced back to 2011, in which China Transport, one of our subsidiaries, was established, followed by the establishment of Beijing Nature in 2013. Mr. Richard Cheng, our ultimate Controlling Shareholder, has been engaged in the business of flue gas treatment since the early 2000s and has accumulated financial resources and wealth therefrom. As flue gas treatment business is a business which relates to environment and energy, throughout the development of his flue gas treatment business, Mr. Richard Cheng accumulated knowledge and insights in clean energy sector including investment in non-controlling interests in a then pitch control system supplier. In particular, Mr. Richard Cheng was of the view that there were development potential and business opportunities in wind power-related businesses. As such, Mr. Richard Cheng, together with Beijing BiTe, an investor and the shareholders of whom were known by Mr. Richard Cheng through his business network, established Beijing Nature in June 2013, targeting investments in wind farms.

In 2015, Beijing Nature acquired 96.97% of the equity interest of Datang Gucang, which marked the commencement of our involvement in wind power generation business by way of operation of the Duolun Wind Farm.

In parallel, Mr. Richard Cheng explored business relationship with Envision Group, a global top wind turbine manufacturer with production plant based in Jiangyin of Jiangsu Province, the PRC. Mr. Richard Cheng started with supplying low-voltage pitch control systems related services to Envision Group in 2015 through his investment holding company, namely Shanghai Yingzhen on a temporary basis to tap the market before an entity was established solely for pitch control system business. Mr. Richard Cheng soon observed the great potential of high-voltage pitch control system business, while low-voltage pitch control systems were prevalent in the PRC at that time. There was a lack of market players who was willing to devote resources in developing high-voltage pitch control systems. As such in order to capture the then anticipated opportunities in pitch control system business and to better serve Envision Group, Mr. Richard Cheng, through China Transport, established Jiangyin Hongyuan and production plant in Jiangyin of Jiangsu Province in 2016. Throughout the years, as one of the pioneers in manufacturing high-voltage pitch control systems, Jiangyin Hongyuan achieved breakthroughs in research and development, successfully enhancing the capability of high-voltage pitch control systems manufactured from 2.X MW to 8.0 MW, suiting needs for both onshore and offshore wind farm projects. Our business of pitch control systems manufacturing has grown gradually and steadily from 2016 onwards and has developed to become the principal business of our Group.

In 2018, in order to consolidate the ownership and corporate structure of both of our pitch control system business and our wind power generation business, Jiangyin Hongyuan, a subsidiary of our Company, acquired the entire equity interest in Beijing Nature, upon completion of which Beijing Nature became an indirect wholly-owned subsidiary of our Company.

We continued to explore business opportunities in other segments of wind energy business and aspired to transform into a wind power solutions covering various aspects of the wind power industry value chain. Leveraging our accumulated experience, expertise and reputation in pitch control system business and power generation business, we have commenced several of our ancillary and value-added businesses such as wind farm maintenance and consultancy services.

OUR KEY BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Milestone event
2011	• Establishment of China Transport
2013	• Establishment of Beijing Nature
2015	• Beijing Nature acquired Datang Gucang, which marked the commencement of our wind power generation business
	• Establishment of Jiangyin Hongyuan, which has become one of the pioneers in the market of manufacturing high-voltage pitch control systems in the PRC
2016	• Commenced to assemble pitch control systems for Envision Group, a top wind turbine manufacturer in the PRC and worldwide
	• Set up production plant for pitch control systems, with total gross area of 900 sq.m. in Jiangyin City, Jiangsu Province, aiming to ensure quality control and enhance competitiveness
	• Developed pitch control systems of 2.X MW, which signified a crucial step of market shift from low-voltage pitch control system to high-voltage pitch control system
	• Completed the enhancement of high-voltage pitch control systems up to 4.X MW, enabling ourselves to support offshore wind farm projects

Year	Milestone event
2017	• Expansion of our production plant of pitch control system in Jiangyin City, Jiangsu Province to a total gross area of 1,978 sq.m., reaching an annual production capacity of 1,505 sets
	• Obtained GB/T 19001-2016/ISO9001:2015 Quality Management Systems Requirements for the design and manufacture of pitch control systems
	• Registered a key patent relating to an advanced design of pitch control systems with an integrated pitch drive control mechanism, centralising the segregated control mechanisms of various control units found in conventional pitch control systems
	• Commencement of our wind farm operation and maintenance services
2018	• Included in the "Specialised, boutique, unique or innovative sci-tech little giants information database of Jiangyin City in 2018"* (2018年度江陰市專精特新科技小巨人入庫企業名單)
	• Received National New High-tech Enterprise Certificate* (國家高新技術企業證書)
	• Relocation and expansion of our production plant of pitch control system with a total gross area of 3,530 sq.m. in Jiangyin City, Jiangsu Province with annual production capacity of 1,806 sets
2019	• Completed the enhancement of high-voltage pitch control systems up to 8.0 MW to further enhance our capability to support the increasing demand in offshore wind farm projects

OUR SUBSIDIARIES

China Transport

China Transport was incorporated established under the laws of the BVI on 25 May 2011 with a registered capital of US$1.00. Since its establishment, China Transport has been wholly-owned by Mr. Richard Cheng. China Transport is principally engaged in investment holding.

Jiangyin Hongyuan

Jiangyin Hongyuan was established under the laws of the PRC on 15 October 2015 with a registered capital of US$1 million, which was subsequently increased to US$2.1 million, US$3.5 million and US$4 million on 26 July 2018, 28 March 2019 and 19 February 2020, respectively. Since its establishment, Jiangyin Hongyuan has been wholly-owned by China Transport. Jiangyin Hongyuan is principally engaged in manufacturing and sales of pitch control system.

Beijing Nature

Beijing Nature was established by Mr. Richard Cheng and Beijing BiTe under the laws of the PRC on 28 June 2013 with a registered capital of RMB5 million. As Mr. Richard Cheng is a businessman with investments in different places and that he could not stay at Jiangyin city regularly due to business needs, he could not attend to the documentation and filing of Beijing Nature in respect of its establishment in an effective manner. As such, Mr. Richard Cheng decided to hold his interests in Beijing Nature through a nominee shareholding arrangement for the sake of administrative convenience purpose, with Ms. Li Na and Ms. Zhao Jumei each holding 30% of the equity interest of Beijing Nature as nominee of Mr. Richard Cheng, while the remaining 40% was held by Beijing BiTe. Both Ms. Li Na and Ms. Zhao Jumei are PRC individuals ordinarily residing in the PRC and are acquaintances of Mr. Richard Cheng. Their capital contribution to Beijing Nature was funded by Mr. Richard Cheng. Save as disclosed in this paragraph and the paragraph below, neither Ms. Li Na nor Ms. Zhao Jumei had or has any past or present relationship (whether in terms of family, employment, business, financing, fund flow or otherwise) with our Group, our Controlling Shareholders, our Directors, senior management of our Group or any of the respective associates of the above, and our customers and suppliers. Throughout the nominee shareholding arrangement being in place, both Ms. Li Na and Ms. Zhao Jumei followed Mr. Richard Cheng's instructions in respect of all decisions made in shareholders' meetings.

In or around 2018, since Mr. Richard Cheng intended to consolidate his investments in wind power-related industry into one single group of companies, he proposed to (i) acquire the minority interest of Beijing BiTe in Beijing Nature through Jiangyin Hongyuan; and (ii) terminate the nominee shareholding arrangement. To the best information and knowledge of our Directors, given that the role of Beijing BiTe in Beijing Nature was a passive minority shareholder, it was open to the disposal of interests in Beijing Nature on acceptable terms. As such, on 30 May 2018, Ms. Li Na, Ms. Zhao Jumei, Beijing BiTe and Jiangyin Hongyuan entered into an equity acquisition agreement, pursuant to which Jiangyin Hongyuan agreed to acquire and each of Ms. Li Na, Ms. Zhao Jumei and Beijing BiTe agreed to sell their respective equity interests in Beijing Nature at a total consideration of RMB6.79 million, which was determined based on the net asset value of Beijing Nature as at 31 May 2018. The acquisition was completed on 12 July 2018 and the payment of consideration was settled on 7 December 2018 and 10 January 2019 respectively. All applicable regulatory approvals and/or filings have been obtained and the acquisition has been properly and legally completed. The nominee shareholding arrangement among Mr.

Richard Cheng, Ms. Li Na and Ms. Zhao Jumei also ceased as both Ms. Li Na and Ms. Zhao Jumei have transferred the consideration they received for the disposal of the 60% interest in Beijing Nature to Mr. Richard Cheng.

Beijing Nature is an intermediate investment holding company of our Group in the PRC.

Datang Gucang

Datang Gucang was established under the laws of the PRC on 26 July 2013 with a registered capital of RMB10 million, with Beijing Shanhejuli and Datang Xianghuangqi each respectively holding 90% and 10% of the entire equity interest thereof. In December 2014, Beijing Shanhejuli increased its share capital commitment in Datang Gucang, resulting in the registered capital of Datang Gucang being increased from RMB10 million to RMB33 million and the shareholding percentage of Beijing Shanhejuli in Datang Gucang being increased from 90% to 96.97%. On 11 June 2015, Beijing Nature acquired the 96.97% equity interests of Datang Gucang from Beijing Shanhejuli at a consideration of RMB32 million. Datang Gucang is principally engaged in operation of the Duolun Wind Farm and the power generation business arising therefrom.

Datong Fengze

Datong Fengze was established under the laws of the PRC on 11 July 2019 with a registered share capital of RMB4.8 million, with Beijing Nature and Liaoning Hailan being its shareholders, each holding 50% of the entire equity interest thereof. On 20 December 2019, Beijing Nature and Liaoning Hailan, as the shareholders of Datong Fengze, resolved that Beijing Nature would increase its share capital commitment in Datong Fengze from RMB2.4 million to RMB3.6 million. The increase of share capital commitment was completed on 31 December 2019, upon which the total registered share capital of Datong Fengze would increase from RMB4.8 million to RMB6 million, and that the equity interest in Datong Fengze held by Beijing Nature would be increased to 60%, while the same held by Liaoning Hailan would be diluted to 40%. As Datong Fengze had not carried on any substantial business activities prior to the increase of equity interest in Datong Fengze by Beijing Nature, the transaction contemplated thereunder is not considered as a business combination.

Datong Yungang

Datong Yungang was established under the laws of the PRC on 29 July 2019 with a registered share capital of RMB4.5 million. Since its establishment, Datong Yungang has been wholly-owned by Datong Fengze. Datong Yungang was established to develop a distributed wind farm in Yungang District of Datong City.

JOINT VENTURE COMPANIES

In July 2019, we established the following two joint venture companies, namely Datong Fengyuan and Datong Haiyuan, through Beijing Nature to invest in and develop distributed wind farms for power generation business with Liaoning Hailan, our joint venture partner. Set forth below are certain details of the arrangements we have with our joint venture partner:

Name of Joint Venture Company	Place of establishment	Date of establishment	Registered capital as at the Latest Practicable Date or immediately prior to its deregistration	Business scope	Percentage of equity interests of our Group through Beijing Nature
1. Datong Fengyuan Energy Technology Company Limited* (大同灃沅能源科技有限公司)	PRC	10 July 2019	RMB20 million	Wind power generation, solar power generation and technology development, transfer, consultancy and services in the new energy and technology industries	50%
2. Datong City Haiyuan Energy Technology Company Limited* (大同市海沅能源科技有限公司)	PRC	10 July 2019	RMB4.6 million	Wind power generation, solar power generation and technology development, transfer, consultancy and services in the new energy and technology industries	50%

In July 2019, Datong Fengyuan established Lingqiu Fengyuan as its project company for development of a distributed wind farm located at Shijiatian, Lingqiu County of Datong City (大同市靈丘縣石家田鄉) in Shanxi Province. As at the Latest Practicable Date, the registered capital of Lingqiu Fengyuan was RMB4.5 million.

In July 2019, Datong Haiyuan established Yanggao Hailan as its project company for development of distributed wind farm in Changcheng, Yanggao County of Datong City (大同市陽高縣長城鄉) with registered capital of RMB4.0 million. Given no desirable location for the distributed wind farm project was identified and Yanggao Hailan has not yet commenced any business operation or incurred any liabilities, Datong Haiyuan proceeded to deregister Yanggao Hailan by way of simplified deregistration procedure which was completed on 26 February 2020. Beijing Nature and Liaoning Hailan also proceeded to deregister Datong Haiyuan through simplified deregistration procedure which was completed on 28 April 2020.

Background of our joint venture partner

Liaoning Hailan is an enterprise established under the laws of the PRC. The principal business of Liaoning Hailan consists of wind power development projects and environmental protection related businesses, such as food waste treatment and manufacturing of disinfection equipment.

As at the Latest Practicable Date, 95% of the entire equity interest of Liaoning Hailan was held by Liaoning Fengyuan Technology Services Co., Ltd.* (遼寧灃沅科技服務有限公司) ("**Liaoning Fengyuan**"), an enterprise established under the laws of the PRC, while the remaining 5% was held by an individual shareholder, Yang Zhilong. Liaoning Fengyuan was formerly owned by Li Zhanlan and Li Zhanying, both of whom transferred their equity interest in Liaoning Hailan to Zheng Yufeng and Yang Zhilong in November 2019. As at the Latest Practicable Date, Liaoning Fengyuan was 60% and 40% held by Zheng Yufeng and Yang Zhilong respectively. All of Li Zhanlan, Li Zhanying, Zheng Yufeng and Yang Zhilong are Independent Third Parties.

Through the introduction by business acquaintances within the field of wind power in or around late 2018, Mr. Richard Cheng was acquainted with one of the shareholders of Liaoning Hailan, who has already been involved in the wind power business by then. Given that both Mr. Richard Cheng and the shareholders of Liaoning Hailan shared similar visions in power generation business in relation to distributed wind farms, they decided to form joint venture companies to invest in the said business so as to share the costs and risks of the investments.

REORGANISATION

In preparation for the Listing, our Group underwent the Reorganisation comprising the following major steps:

1. Incorporation of Hongyuan BVI

On 26 November 2019, Hongyuan BVI was incorporated with an authorised share capital of 50,000 shares without par value. One subscriber's share in Hongyuan BVI was allotted and issued to Mr. Richard Cheng at the subscription price of US$1.00 on the same day.

2. Incorporation of our Company by Hongyuan BVI

On 28 November 2019, our Company was incorporated with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On the same day, (i) one Share was allotted and issued at par to the initial third party subscriber and such Share was immediately transferred to Hongyuan BVI; and (ii) a further 999 Shares were issued to Hongyuan BVI for cash at par. On 25 February 2020, our Company has been registered as a non-Hong Kong company under the Companies Ordinance.

3. Transfer of share in China Transport to our Company and issue of Shares to Hongyuan BVI

On 27 December 2019, Mr. Richard Cheng, Hongyuan BVI and our Company entered into the Share Swap Agreement, pursuant to which Mr. Richard Cheng agreed to transfer his one share in China Transport, representing the entire issued share capital thereof, to our Company. In consideration for the transfer of the entire issued share capital of China Transport, our Company agreed to allot and issue 9,000 Shares to Hongyuan BVI at the direction of Mr. Richard Cheng, credited as fully paid up.

Both of the aforementioned share transfer and issue of Shares took place simultaneously and were completed on 27 December 2019, upon which China Transport became a direct wholly-owned subsidiary of our Company, which was wholly-owned by Mr. Richard Cheng through Hongyuan BVI.

4. Increase of equity interest in Datong Fengze

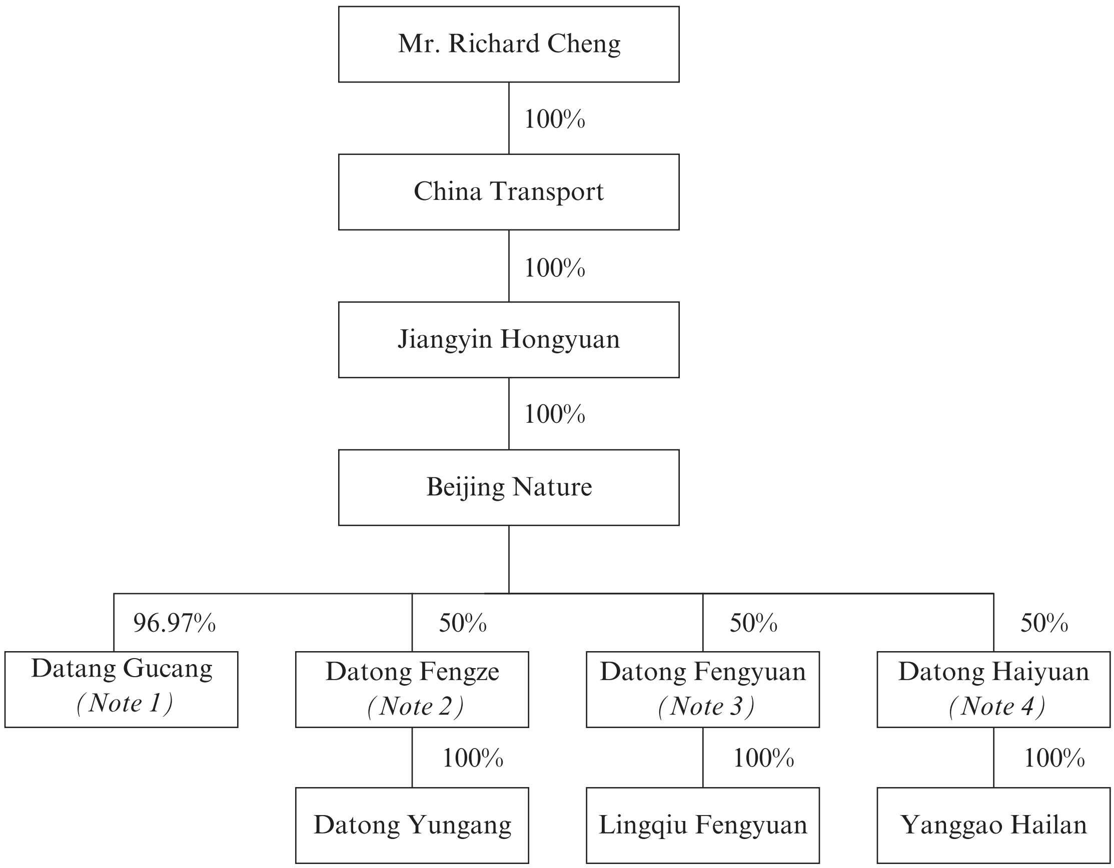
On 20 December 2019, Beijing Nature and Liaoning Hailan, being the shareholders of Datong Fengze, resolved that the total registered share capital of Datong Fengze would increase from RMB4.8 million to RMB6 million, among which the share capital commitment of Beijing Nature would increase from RMB2.4 million to RMB3.6 million. Upon completion of the increase in share capital, Beijing Nature and Liaoning Hailan would hold 60% and 40% of the entire equity interest in Datong Fengze respectively. The aforesaid increase in share capital was completed on 31 December 2019.

5. Increase of authorised share capital of our Company and the Capitalisation Issue

Pursuant to the resolutions in writing passed by our sole Shareholder on 4 September 2020, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$7,500,000 divided into 750,000,000 Shares by the creation of a further of 712,000,000 Shares. Conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to issue a total of 187,490,000 Shares, credited as fully paid, at par to our Shareholders whose names appear on share register at close of business on 4 September 2020 in proportion to their then respective shareholding by way of capitalisation of the sum of HK$1,874,900 standing to the credit of the share premium account of our Company by applying such sum towards paying up in full at par a total of 187,490,000 Shares for allotment and issue, and the Shares to be issued pursuant to the Capitalisation Issue shall carry the same rights in all respects as the existing Shares.

Shareholding and corporate structure prior to the Reorganisation

The following chart sets forth the shareholding structure of our Group immediately before the Reorganisation:



Notes:

1. As at the Latest Practicable Date, the remaining 3.03% of the equity interests in Datang Gucang is held by Datang Xianghuangqi, an Independent Third Party and a company owned by China Datang Group New Energy Stock Corporation (中國大唐集團新能源股份有限公司) whose shares are listed on the Stock Exchange (stock code: 01798) which is ultimately controlled by the state-owned entity. To the best information and knowledge of our Directors, Datang Xianghuangqi may sell its 3.03% equity interests in Datang Gucang through public tender and in such an event, we intend to bid for the tender to acquire the relevant interests at market value. The proportionate net asset value (i.e. 3.03% of the total net asset value) of Datang Gucang based on its management accounts as at 31 December 2019 amounted to RMB1.4 million.

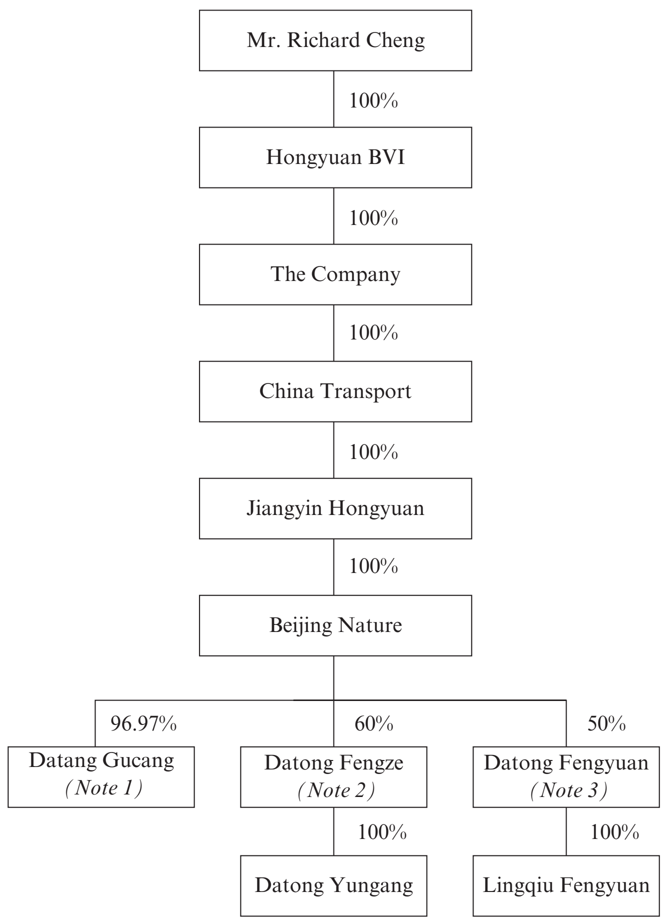
2. Immediately prior to the Reorganisation, Beijing Nature and Liaoning Hailan each held 50% of the entire equity interest in Datong Fengze. Upon completion of the increase of equity interest in Datong Fengze by Beijing Nature, which constituted a step of the Reorganisation, Beijing Nature and Liaoning Hailan would hold 60% and 40% of the entire equity interest in Datong Fengze.

3. Immediately prior to the Reorganisation and as at the Latest Practicable Date, Beijing Nature and Liaoning Hailan each held 50% of the entire equity interest in Datong Fengyuan. For details, please refer to the subsection headed "Joint venture companies" in this section.

4. Immediately prior to the Reorganisation, Beijing Nature and Liaoning Hailan each held 50% of the entire equity interest in Datong Haiyuan. Datong Haiyuan and Yanggao Hailan were deregistered on 28 April 2020 and 26 February 2020 respectively. For details, please refer to the subsection headed "Joint venture companies" in this section.

Shareholding and corporate structure immediately prior to the completion of the Capitalisation Issue and the Global Offering

The following chart sets forth the shareholding structure of our Group immediately before the completion of the Capitalisation Issue and the Global Offering:



Notes:

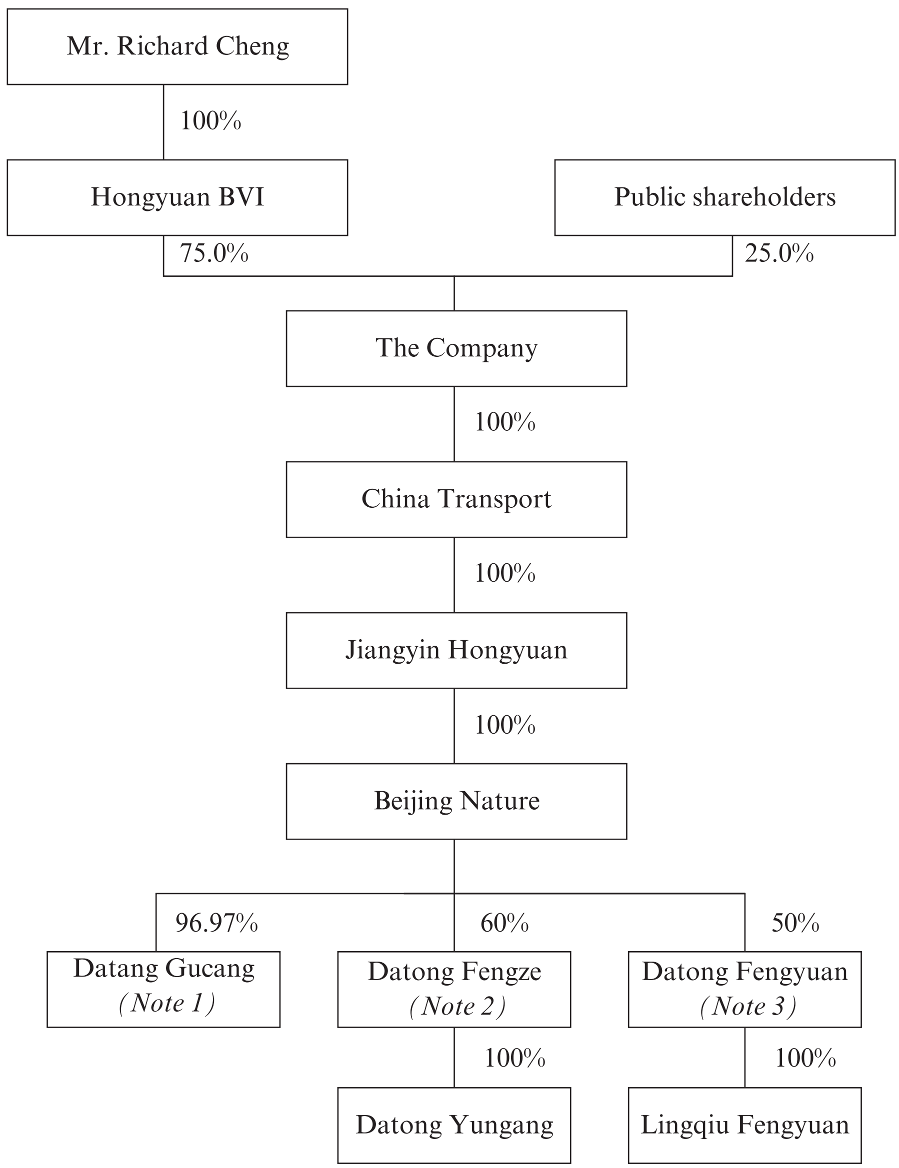
1. As at the Latest Practicable Date, the remaining 3.03% of the equity interests in Datang Gucang is held by Datang Xianghuangqi, an Independent Third Party and a company owned by China Datang Group New Energy Stock Corporation (中國大唐集團新能源股份有限公司) whose shares are listed on the Stock Exchange (stock code: 01798) which is ultimately controlled by the state-owned entity. To the best information and knowledge of our Directors, Datang Xianghuangqi may sell its 3.03% equity interests in Datang Gucang through public tender and in such an event, we intend to bid for the tender to acquire the relevant interests at market value. The proportionate net asset value (i.e. 3.03% of the total net asset value) of Datang Gucang based on its management accounts as at 31 December 2019 amounted to RMB1.4 million.

2. Immediately prior to the Reorganisation, Beijing Nature and Liaoning Hailan each held 50% of the entire equity interest in Datong Fengze. Upon completion of the increase of equity interest in Datong Fengze by Beijing Nature, which constituted a step of the Reorganisation, Beijing Nature and Liaoning Hailan would hold 60% and 40% of the entire equity interest in Datong Fengze.

3. Immediately prior to the Reorganisation and as at the Latest Practicable Date, Beijing Nature and Liaoning Hailan each held 50% of the entire equity interest in Datong Fengyuan. For details, please refer to the subsection headed "Joint venture companies" in this section.

Shareholding and corporate structure immediately after the completion of the Capitalisation Issue and the Global Offering

The following chart sets forth the shareholding structure of our Group immediately after the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

1. As at the Latest Practicable Date, the remaining 3.03% of the equity interests in Datang Gucang is held by Datang Xianghuangqi, an Independent Third Party and a company owned by China Datang Group New Energy Stock Corporation (中國大唐集團新能源股份有限公司) whose shares are listed on the Stock Exchange (stock code: 01798) which is ultimately controlled by the state-owned entity. To the best information and knowledge of our Directors, Datang Xianghuangqi may sell its 3.03% equity interests in Datang Gucang through public tender and in such an event, we intend to bid for the tender to acquire the relevant interests at market value. The proportionate net asset value (i.e. 3.03% of the total net asset value) of Datang Gucang based on its management accounts as at 31 December 2019 amounted to RMB1.4 million.

2. Immediately prior to the Reorganisation, Beijing Nature and Liaoning Hailan each held 50% of the entire equity interest in Datong Fengze. Upon completion of the increase of equity interest in Datong Fengze by Beijing Nature, which constituted a step of the Reorganisation, Beijing Nature and Liaoning Hailan would hold 60% and 40% of the entire equity interest in Datong Fengze.

3. Immediately prior to the Reorganisation and as at the Latest Practicable Date, Beijing Nature and Liaoning Hailan each held 50% of the entire equity interest in Datong Fengyuan. For details, please refer to the subsection headed "Joint venture companies" in this section.

OVERVIEW

We are a wind power and pitch control system solution provider in the PRC. 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. Pitch control system is a critical electrical system in a wind turbine for real-time regulation of the wind turbine generator's rotational speed against the changing wind velocity through control of the blade angle for optimal energy capture and minimisation of potential damages against exceedingly high speed winds. 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.

Our established pitch control system and wind power generation businesses enable us to expand our revenue streams and maximise the value of our in-depth industry knowledge, technical expertise and business network. Leveraging our technical expertise as a pitch control system manufacturer, R&D function, as well as our experienced staff with diverse skillsets within the wind power industry, we have been able to extend our business scope to cover (i) 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 (ii) provision of wind energy related consultancy services during the Track Record Period.

The table below sets forth a breakdown of our revenue by segment during the Track Record Period:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Pitch control system related integration, manufacturing and sales										
— Pitch control systems *(Note)*	36,952	64.5	118,787	82.3	153,085	68.7	27,633	74.8	28,712	55.8
— Major components	—	—	—	—	27,289	12.2	113	0.3	6,918	13.4
Sub-total:	36,952	64.5	118,787	82.3	180,374	80.9	27,746	75.1	35,630	69.2
Wind power generation	19,250	33.6	21,384	14.8	20,211	9.1	7,231	19.6	5,841	11.3
Wind farm operation and maintenance										
— Maintenance service	1,112	1.9	4,253	2.9	5,950	2.7	1,959	5.3	1,811	3.5
— Upgrade and modification works	—	—	—	—	4,217	1.9	—	—	500	1.0
— Supply of consumables	—	—	—	—	9,585	4.3	—	—	7,699	15.0
Sub-total:	1,112	1.9	4,253	2.9	19,752	8.9	1,959	5.3	10,011	19.4
Wind energy related consultancy services	—	—	—	—	2,498	1.1	—	—	—	—
Total:	57,314	100.0	144,424	100.0	222,835	100.0	36,936	100.0	51,482	100.0

Note: The relevant revenue for FY2017 includes fees of RMB3.9 million for integration and assembling services of pitch control systems that we offered at the request of customers.

By adhering to our core principles of developing wind power solutions which are embedded with elements of "smart design, customisation and efficiency" (智能，定制及高效), we believe we are well-positioned to benefit from the projected increase in demand for wind power solutions in the PRC which will in turn sustain our business operation.

We offer high-voltage pitch control systems, and the construct and functionality of which are featured with, as compared to low-voltage ones, (i) higher integration level of the key core components of our pitch control systems which facilitates improved energy production efficiency, planning and grid connectivity of wind turbines; (ii) minimised rate of malfunctions with reduced failure points in the system which reduces the failure rate and the maintenance costs in the long run; (iii) advanced technical capabilities and reliable product design to function as a driving force and braking system for wind turbines designed for high-power electricity production, maximised efficiency and safety; and (iv) lower unit cost due to fewer components in and the constant development of better and more suitable software for high-voltage pitch control systems, according to the F&S Report. As a result of our strategic focus on development of pitch control systems, it became our primary business segment during the Track Record Period, attributing to the majority of our revenue.

As one of the pioneers in the market of manufacturing high-voltage pitch control systems in the PRC, we have strategically leveraged our R&D function to ensure that our wind power solutions are proximate with the latest technological developments within the wind power industry. As at 30 April 2020, we owned more than 25 patents and had 15 patents under application, as well as 10 software copyrights, relating to pitch control systems and wind energy related inventions and designs.

We distinguish ourselves from our competitors by (i) the provision of customised wind power solutions which are tailored to our customers' needs; (ii) the ability to adhere to the latest technological trends with our R&D function; (iii) stable relationships with the upstream and downstream of the wind power industry value chain; and (iv) strong production capacity with comprehensive quality assurance.

According to the F&S Report, wind power is a more attractive source of energy and has better prospects going forward in the PRC compared to alternative renewable energy sources since (i) wind power, solar power and nuclear energy are the main energy sources with increasing market share in the electricity generation market in the PRC; (ii) the cost of wind and solar power have experienced the largest downtrend compared to other energy sources over the past 10 years; and (iii) although solar power is currently the only competitive energy source compared to wind power according to the aforementioned reasons, wind power is currently more attractive than solar power because of the longer available operational hours and more efficient energy conversion rate of wind turbines for wind power compared to solar panels for solar power. Please refer to "Industry Overview — Overview of wind power industry in China" for further details.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have enabled us to achieve a competitive position in the wind power solutions and the pitch control systems markets in the PRC and differentiated us from our competitors:

A top five pitch control system supplier in the PRC

We are a top five pitch control system supplier in the PRC, offering high-voltage pitch control systems for wind turbines. According to the F&S Report, (i) the total market size of pitch control system in the PRC was about RMB1,834.2 million in terms of sales value in 2018, among which, sales value for high-voltage pitch control systems was around RMB1,104.4 million, representing about 60.2% of the market; and (ii) 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%.

With the foresight of Mr. Richard Cheng, our chairman and Controlling Shareholder, who envisaged the then rising demand of high-voltage pitch control system which enhances the efficiency of the operation and lowers the defective rate of wind turbines, we commenced to focus on R&D on software and integration techniques for pitch control systems in 2016. As a result of our strategic focus on the development of pitch control systems, it became our primary business segment during the Track Record Period, attributing to the majority of our revenue.

According to the F&S Report, we are one of the pioneers who realised the integration of hardware and software to offer high-voltage pitch control systems in the PRC market. We believe we can continue to leverage our market position to further expand our business and increase our market share.

Established stable relationship with upstream and downstream of the value chain

We collaborate with KEB Group, headquartered in Germany who is principally engaged in the development, sale and manufacturing of engineering systems including pitch drive controllers and pitch motors, to work on the design and integration of our software and KEB Group's hardware to produce high-voltage pitch control systems that appeal to customers' needs. We successfully brought KEB Group to the pitch control system market in the PRC and has established a stable and entrusted relationship with them for product offering since 2017. We further entered into a binding ten-year framework agreement with KEB Shanghai in December 2019 (as supplemented by its supplemental agreement), pursuant to which KEB Shanghai will prioritise to supply 3,600, 3,800, 4,000 and 4,000 sets of core components for high-voltage pitch control system to us for each of the four years ending 31 December 2023, respectively, and the quantities to be supplied on prioritised basis for the remaining term of the framework agreement will be further agreed in the second half of 2023.

We started to manufacture pitch control systems for Envision Group since 2016. Envision Group is one of the largest wind turbine manufacturers in the PRC and the world, and ranked second and fifth, respectively, in terms of newly installed capacity of approximately 4,180.5 MW with market share of 19.8% and 8.4%, respectively, in 2018, according to the F&S Report. We assisted Envision Group to realise its production of wind turbines in the PRC equipped with intelligent control, advanced measurement method, expert data analysis system, active performance control and reliability-based deterministic turbines, enabling its wind turbines to function at its optimal working condition for maximum power generation and long service life in an efficient manner. We entered into a binding ten-year framework agreement with Jiangyin Envision in December 2019, pursuant to which Jiangyin Envision agrees to purchase, based on the business development needs of Envision Group and subject to Envision Group's approval of the terms and conditions and services of our products, not less than 1,500, 1,700 and 1,900 sets of pitch control systems from us for each of the three years ending 31 December 2022, respectively. The targeted purchase quantities for the remaining term of the framework agreement will be further agreed in the second half of 2022.

R&D and design capabilities

Our R&D function is key to our market position in the PRC. According to the F&S Report, pitch control system manufacturers, as the midstream position in the value chain of the pitch control system market, are responsible for the R&D of pitch control systems.

Stationed in our production plant in Jiangyin City, Jiangsu Province we have an established and dedicated technical and R&D team led by Mr. Zhao Tongliang, who has (i) over seven years of experience in the technical and R&D of pitch control systems; (ii) worked in the wind power solutions industry since September 2012; and (iii) participated in the R&D of various products and services which include, amongst others, our early-stage high-voltage pitch control system with its pitch drive controller procured from KEB Shanghai. Our technical and R&D team has extensive experience in the wind power industry and possess comprehensive knowledge and expertise in product development.

In July 2017, our R&D centre was recognised as one of the Jiangyin Engineering and Technology R&D Centre Projects approved by Jiangyin Science and Technology Bureau* (江陰市科學技術局). In November 2018, we were recognised as a National New High-tech Enterprise.

Our R&D efforts focus on integration techniques to produce quality and reliable pitch control systems. We have hence devoted to R&D on different aspects of pitch control systems, including but not limited to (i) the increase of their rated power levels to 12.0 MW for offshore wind power projects, which have a large potential for development according to the F&S Report since (a) offshore wind power projects will be emphasised equally with onshore wind power projects according to the China Wind Energy Roadmap 2050 (《中國風電發展路線圖2050》) issued by the NDRC and IEA; and (b) the volume of wind power resources available for development in coastal areas where water depth is within 50 meters in the PRC amounts to 500 GW (as opposed to 4.4 GW of the accumulated offshore wind power installed capacity by 2018); (ii) upgrades and the lowering of cost of production of ultracapacitors to facilitate after-sales modification and maintenance services; and (iii) the production process and design of the cabinet for the pitch control system, which includes optimising the layout of components and avoidance of electromagnetic compatibility interference. Further, we believe the capability and functionality of pitch control systems lie in its software. We are devoted to developing and updating software programmes to collect and diagnose data in order to control the blade angle for regulating the wind turbine generator's rotational speed when wind velocity changes, for optimal energy capture and minimisation of potential damages against exceedingly high speed winds. We also develop simulation master control system software for function testing for our pitch control systems.

With our R&D effort, we owned more than 25 patents and had 15 patents under application, as well as 10 software copyrights, relating to pitch control systems and wind energy related inventions and designs as at the Latest Practicable Date. In 2019, we have successfully completed the R&D for and realised prototypes of high-voltage pitch control systems with a rated power level of 8 MW for wind turbines. According to the F&S Report, although wind turbines with a rated power level of 8 MW is currently not commonly adopted in the wind power industry in the PRC, its usage is more popular overseas and their demand in the PRC is expected to increase in the future due to the proliferation of offshore wind power projects which demand higher rated power levels.

According to the F&S Report, it is expected that newly installed capacity of wind power attributable to offshore wind power projects is expected to increase from 2.5 GW in 2019 to 7.0 GW in 2023, with a CAGR of 29.5%. Our technical and R&D team has successfully realised pitch control system for 4.0 MW or above which support most of the offshore wind power projects, hence we believe such capability equips ourselves to grasp the increasing offshore wind power market.

Our technical and R&D team will continuously improve our products and technologies for meeting our customers' needs such as adaptation to different operating environments and increase in energy production output and efficiency.

Our pitch control systems are adapted to the diverse operating conditions in the PRC, including low and high temperatures, high altitude, low wind velocity and coastal area conditions and are empowered to drive large wind turbines effectively.

We believe the combination of our technologies and R&D function will further enhance our ability in delivering pitch control systems which closely follow the technological trends within the wind power industry and remain competitive in the market of manufacturing pitch control systems.

Strong production capabilities with comprehensive quality assurance

To ensure high quality control and increase our competitiveness, we set up our own production plant with approximately 900 square meters situated in Jiangyin City, Jiangsu Province in 2016 with two quality testing machines in our streamlined production line with annual capacity of 1,204 sets of pitch control systems. Due to the increased orders, we have relocated our production plant with total gross area of 3,530 square meters for expansion of our production capacity in 2018. As at the Latest Practicable Date, we are equipped with four quality testing machines in our streamlined production line with annual capacity of 2,408 sets of pitch control systems. As we oversee the product design, development and production processes of our pitch control systems, we believe we are able to more effectively implement quality control measures and ensure product quality whilst controlling costs. Combined with our capabilities in technology integration and R&D, as well as our extensive experience in designing and manufacturing high-voltage pitch control systems, we believe we can provide our customers with products of high quality, performance and reliability and assist customers with various aspects of enhancing the functionality and performance of their wind turbines.

We adopt stringent quality control measures from collation of raw materials to quality check for finished goods. During the production process, our quality control personnel closely monitor the quality of semi-finished products throughout the assembling process to ensure that their qualities conform with the requisite standards. After the production process, we conduct full and comprehensive testing and inspection on various aspects of our finished products prior to packaging and subsequent delivery. For details, please see "Quality control" in this section. Our quality control measures have been recognised by our certification for the design and manufacture of pitch control systems for the compliance with the standard of GB/T 19001-2016/ISO9001:2015 Quality Management Systems Requirements.

We believe that our advanced production capabilities with stringent quality control measures enable us to manufacture pitch control systems of high qualities and diverse specifications which best suit our customers' desired specifications and performance requirements.

Experienced, stable and dedicated management team

We believe the experience of our management team is fundamental to our Group in building a solid foundation for the subsequent development of our business. We are managed under a core management team under the leadership of Mr. Richard Cheng and Mr. Cliff Cheng. Mr. Richard Cheng is an experienced entrepreneur in the renewable energy and environmental protection industry for more than 15 years and Mr. Cliff Cheng has more than four years of experience in the wind power industry. With experience in the industry, we have established a good business network with both upstream and downstream industry players in the wind power industry value chain.

Mr. Zhao Tongliang, the head of our technical and R&D team, is experienced in the technical and R&D of pitch control systems. Under the leadership of Mr. Zhao, we realised various customised high-voltage pitch control systems for our customers, registered various pitch control related patents and software copyrights and were recognised as a National New High-tech Enterprise in 2018 for continuous R&D and transformative technology developments which lead to the formation of independent core intellectual property rights in one of the supported high-tech fields (such as renewable energy and energy conservation technologies) by the relevant authorities in the PRC.

We believe our dedicated management team would lead us to achieve healthy organic growth in the industry. For details of the biography of our management team, please refer to "Directors and senior management" of this prospectus.

BUSINESS STRATEGIES

According to the F&S Report, there is sufficient long-term and sustainable market demand in the wind power industry in the PRC due to (i) the continuous demand for renewable energy and support from the PRC Government driven by various policies in relation to electricity generated by renewable energy, the improvement in economic benefit of and the significant decrease in cost of electricity generation by renewable energy in the PRC; (ii) the continuous demand in wind power industry and support from the PRC Government evident from the preferential treatment to market participants in the wind power industry and the increase in investment of wind power infrastructures throughout the PRC; (iii) the evolution of the wind power industry in the PRC into a sustainable and viable market without being dependent on government subsidies; (iv) the relief of wind curtailment problems resulting from recent policies issued by the PRC Government and technological advancements; and (v) advancements of wind power related technology which enhance the efficiency of wind power generation. It is expected that the demand for high-voltage pitch control systems, which is the focus of our pitch control system business during Track Record Period, would increase in the long run. According to the F&S Report, since the high-voltage pitch control system has competitive strengths such as higher integration level of the key core components and minimised rate of malfunctions with reduced failure points in the system, high-voltage pitch control system would become more popular in the future and the market size of high-voltage pitch control systems is anticipated to grow from RMB1,460.6 million to RMB2,244.6 million at the CAGR of 11.3% between 2019 and 2023. For details, please see "Industry Overview — Overview of the PRC economy and power industry in China — Continuous demand for renewable energy and support from the PRC Government" and "Industry Overview — Overview of Wind Power Industry in China" in this prospectus. We believe these would support our Group's sustainable business development.

We aim to achieve sustainable growth and further strengthen our market position in the pitch control system related manufacturing and sales business, expand our wind power generation business and continue to diversify and expand our wind power related services offerings, in order to maintain and increase long-term shareholder value and create maximum customer value. To achieve this, we will continue to actively seek for business opportunities within the wind power industry by implementing the following business strategies:

Maintain and enhance our market position in pitch control system market to increase market share in the PRC

As a pitch control system supplier, we are the upstream of wind turbine manufacturers and the demand of pitch control system is mainly driven by the sustainable demand in the wind turbine industry. According to the F&S Report, the PRC Government observed that there has been a decrease in operation costs of wind farms due to technology advancement and considered that industry players could still make a profit without any subsidies. As a result, according to the Notice on Improving the Policy on On-grid Prices for Wind Power (關於完善風電上網電價政策的通知) which was issued in May 2019 with an effective date in July 2019, the Chinese

Government proposed that in order to scientifically and reasonably guide investments in renewable energy and promote the healthy and sustainable development of wind power industry, government subsidy on onshore wind power would be phased out. In particular, there would be no subsidy on onshore wind power projects which have not accomplished grid connection before the end of 2021, and that the offshore wind power projects which have accomplished grid connection before the end of 2021 would adopt the guidance on-grid price for wind power for the year of grid connection. Hence, it is expected that this policy would stimulate a large number of enterprises to complete the construction of wind power projects in advance before the end of 2021 to enjoy the preferential policy. Therefore, it is expected that there would be a great demand for wind turbines and, according to the F&S Report, the sales value of wind turbines is estimated to rise and reach RMB117.4 billion in 2020 with a growth of 30.6% from 2019 to 2020 and RMB121.6 billion in 2021 with a growth of 3.6% from 2020 to 2021, and there would be a CAGR of 1.4% from 2019 to 2023 even taking into account of periodical fluctuation in the industry.

According to the F&S Report, the market size of the pitch control system market in the PRC in terms of sales value is expected to grow from RMB2,212.2 million in 2019 to RMB2,338.1 million in 2023 with a CAGR of 1.4%, which is mainly driven by the expected rising demand for wind turbines in the coming years. In particular, a peak of the current industry cycle is also anticipated in 2020 and 2021, amounting to RMB2,916.5 million and RMB3,067.8 million, respectively, as stimulated by the policy namely the Notice on Improving the Policy on On-grid Prices for Wind Power issued in 2019.

Given high-voltage pitch control systems (i) are featured with higher energy production efficiency, minimised rate of malfunctions with reduced failure points with lower unit costs; and (ii) allow the achieving of cost saving for wind farm operations in the long run from the usage of high-voltage pitch control systems, Frost & Sullivan expects that the demand for high-voltage pitch control system would increase in the long run. According to the F&S Report, the percentage contribution of high-voltage pitch control systems to the market size of pitch control systems in the PRC experienced a constant increasing trend from 60.5% in 2015 to 63.0% in 2018, and is expected to reach 96.0% in 2023.

In addition, with the technological developments in the wind power industry, the sales volume of large rated power pitch control system should rise, representing an ever larger proportion of total sales volume of pitch control system.

Also, according to the F&S Report, (a) onshore wind power in the PRC is developing at a faster rate than offshore wind power. However, according to the China Wind Energy Roadmap 2050 (《中國風電發展路線圖2050》) issued by the NDRC and IEA, offshore wind power would be as important as onshore wind power from 2021 to 2030; and (b) the wind power resources for offshore wind power projects are much higher than onshore ones. It is also expected that newly installed capacity of wind power attributable to offshore wind power projects is expected to increase from 2.5 GW in 2019 to 7.0 GW in 2023, with a CAGR of 29.5%, according to the F&S Report. With our capability to offer high-voltage pitch control for offshore wind power projects, we plan to increase our market share in the increasing offshore wind power market.

We seek to maintain stable relationship with our existing major client, Envision Group, and grow our customer base. Envision Group is a well-established global wind turbine supplier and wind farm operator, with regional offices across Asia, Europe, North and South Americas. According to the F&S Report, Envision Group is the second and fifth largest wind turbine manufacturer in the PRC and the world, respectively, in terms of newly installed capacity with market share of 19.8% and 8.4%, respectively, in 2018.

We have entered into a binding ten-year framework agreement with Jiangyin Envision in December 2019, pursuant to which we will continue to supply customised high-voltage pitch control systems to Envision Group.

We believe that our customers most value the reliability, efficiency and cost-effectiveness of our wind power solutions. We are committed to continually improve such qualities and implement the latest technologies into our solutions offering. We also seek to maintain and increase sales to our existing customer base through providing after-sales and value-added services which are tailored to customers' specific needs. We will also continue to leverage our extensive industry experience, ability to provide wind power solutions covering multiple aspects within the wind power industry value chain, our management team with strong strategic vision and servicing capabilities to further enhance our market share in the PRC.

We plan to apply approximately 18.7% or approximately RMB18.7 million (equivalent to approximately HK$20.8 million) of the net proceeds from the Global Offering to the purchase of core components and raw materials necessary for the production of customised high-voltage pitch control systems to fulfil the expected purchase quantities for Jiangyin Envision pursuant to our binding ten-year framework agreement. For details, please see "Future plans and use of proceeds" in this prospectus.

Diversification of our customer base

During the Track Record Period, our major customers include (i) Envision Group, which is our largest customer for sale of pitch control systems and (ii) the Local Power Grid Company, which is primarily engaged in the supply of electricity.

In order to achieve sustainable growth and further strengthen our market position in the wind power industry value chain, and in anticipation of the periodical fluctuations in the wind turbine market according to the F&S Report, we strive to diversify our customer base by expanding our customer portfolio in our (i) pitch control system related; (ii) wind power generation; (iii) operation and maintenance services; and (iv) wind energy related consultancy services businesses.

A. Pitch control system related business

In relation to our pitch control system related manufacturing and sales business, other than Envision Group, we have successfully commenced business relationship with Shanghai Electric in June 2019, which is an indirectly owned subsidiary of Shanghai Electric Group. Shanghai Electric Group is a large scale equipment manufacturing group whose product portfolio covers energy generators for different types of energy such as wind turbines, and was ranked fifth in terms of newly installed capacity in the PRC in 2018, according to the F&S Report. Our revenue derived from Shanghai Electric amounted to RMB27.3 million, accounting for 12.2% of our total revenue in FY2019. From 1 January 2020 up to the Latest Practicable Date, we further secured purchase order from Shanghai Electric with a total invoice amount of RMB24.2 million. In order to expand our revenue stream from and enhance our business relationship with Shanghai Electric, we have also entered into a strategic cooperative agreement with Shanghai Electric in relation to our pitch control systems and their major components in February 2020, which involves our supply of pitch control systems and their major components compatible with the offshore wind turbines of Shanghai Electric. According to the F&S Report, Shanghai Electric Group has the largest new offshore wind turbines installed capacity in the PRC between 2015 to 2018, with cumulative installed capacity of 45.3%, 58.3%, 55.1% and 50.9% in the PRC market in each of the respective years.

We procured Shanghai Electric as our new customer through Shanghai Electric approaching us seeking for price quotations based on, according to the best information and knowledge of our Directors, recommendations from the KEB Group.

Furthermore, we have been awarded a tender for the supply of 120 sets of pitch control systems with a total contract sum of approximately RMB23.8 million and entered into a sales agreement in November 2019 with Zhejiang Windey, a wind turbine manufacturer in Zhejiang Province who ranked sixth in terms of newly installed capacity in the PRC in 2018, according to the F&S Report.

We procured Zhejiang Windey as our new customer through participating in the public tendering process of Zhejiang Windey after approaching them and expressing our interest in commencing a business relationship.

We have also commenced negotiations with an enterprise involved in the construction, operations and consultancy services regarding wind farms that is a subsidiary of a rolling stock manufacturer with its headquarters in Beijing, the PRC which is listed on the Stock Exchange in the supply of our customised pitch control systems ("**Customer C**"). As at the Latest Practicable Date, (i) we have finished the conceptualisation stage of our pitch control systems based on our customer's specifications and requirements; (ii) our technical and R&D team has designed a prototype based on such specifications and requirements; (iii) we have been appointed as one of its qualified suppliers upon the inspection of our production plant and the provision of the relevant documents; (iv) our technical and R&D team has attended project examination meetings with the customer; and (v) we have supplied our first batch of pitch control systems to this new customer.

Based on (i) our status as one of the pioneers who realised the integration of hardware and software to offer high-voltage pitch control systems in the PRC market according to the F&S Report; (ii) the proliferation and increasing popularity of high-voltage of pitch control systems over their low-voltage counterparts in the wind power industry in the PRC in recent years; (iii) our ability to replace pitch control system suppliers of wind turbine manufacturers which do not have the technical capacity to supply high-voltage pitch control systems; (iv) the diversification of customer base constituting a natural progression of our pitch control system business after becoming a key supplier of pitch control systems for Envision Group through gradual increase in the contribution to the purchases of pitch control systems by Envision Group since 2017 and by maintaining a steady supply of 50% or more of the pitch control systems procured by them since 2018; and (v) our success in commencing business relationships with new customers in the pitch control system market such as Shanghai Electric and Zhejiang Windey as elaborated above, our Directors are of the view that we are well-positioned to expand our market share in the pitch control system market through the diversification of our customer base in the pitch control system segment.

To explore potential business opportunities to diversify our customer base in the pitch control systems market, we intend to increase our exposure in pitch control systems market and to establish and/or expand our existing and potential business relationships with market participants in the wind power industry supply chain by increasing our marketing efforts through the following avenues:

- the development and manufacturing of prototypes of pitch control systems to potential clients to demonstrate the quality and functionalities of our products and to introduce our new models or designs to potential customers and collecting feedbacks;

- the participation of various exhibitions in the wind power industry, such as (i) The China Wind Power Development Forum* (中國風電發展論壇); (ii) The Beijing International Wind Energy Conference & Exhibition* (北京國際風能大會暨展覽會); (iii) The Fifth Global Offshore Wind Power Summit* (第

五屆全球海上風電峰會); and (iv) the WindEnergy Hamburg Conference in Hamburg, Germany, to promote the R&D involved in our products and services; and

- the recruitment of two additional sales personnel (i) to establish and strengthen business relationship with potential customers through communicating with the relevant procurement staff of potential customers; (ii) to obtain a better understanding of customer needs through emails, telephone calls or face-to-face meetings; and (iii) to participate in tendering processes of our potential customers.

We will continue to identify potential customers who are interested in our pitch control systems and try to secure purchase orders from them.

We also plan to apply approximately 3.6% or approximately RMB3.6 million (equivalent to approximately HK$4.0 million) of the net proceeds from the Global Offering to diversify our customer base in the pitch control systems market by increasing our marketing efforts through (i) developing and manufacturing prototypes of pitch control systems to potential clients to demonstrate the quality and functionality of our products; (ii) participating in various exhibitions in the wind power industry to promote the technical and R&D involved in our products and services; and (iii) recruiting two additional sales personnel to establish and strengthen business relationship with potential customers.

For details, please see "Future plans and use of proceeds" in this prospectus.

B. Wind power generation business

In relation to our wind power generation business, our Duolun Wind Farm is a centralised wind farm, where we sell electricity generated from wind power to the Local Power Grid Company, and our electricity generated from wind power is admitted to the local power grid of the Local Power Grid Company. Such wind power generated are generally collected together by one or more transformer substations, admitted to the power grid and then transported for a long distance. There is also distributed wind farms in the industry which refer to wind power projects located near the center of the power load and not for high-power long-distance power transmission, and their generated electricity is connected to the nearby power grid and consumed locally.

According to the F&S Report, the downstream market of distributed wind farms are comprised of (i) state-owned grid enterprises which are responsible for wind power transmission and admission; and (ii) end-users such as factories, schools and shopping malls which are consumers of wind power. Furthermore, according to the F&S Report, pursuant to the "Opinions about Implementing the Thirteenth Five-year Plan about Renewable Energy Development"《關於可再生能源發展"十三五"規劃實施的指導意見》issued in July 2017 by the NEA, the NEA implemented annual guiding scales for each province (district or city) based on their submitted yearly wind farm development schemes which are formulated through strict verification of wind resource, power distribution and consumption conditions, etc. Since distributed wind farms are not subject to the annual guiding scales, this favourable policy simplifies administrative approval procedure and reduces the upfront cost for distributed wind farm developers.

Upon the issuance of the Guiding Opinions on Energy Works in 2018 (2018年能源工作指導意見) in February 2018 by the NEA, the utilisation of wind power and the development of distributed wind power, low-speed wind power and offshore power was promoted. According to the F&S Report, it is estimated that the market value of distributed wind farms in terms of total investment amount will increase from RMB34.2 billion to RMB83.4 billion from 2019 to 2023, with a CAGR of 25.0%. Foreseeing the optimistic prospect of the distributed wind farm business, in the second half of 2019, we strategically invested in the interest in (i) Datong Fengyuan which set up an operating company, namely Lingqiu Fengyuan, to develop a distributed wind farm in Lingqiu County in Datong of Shanxi Province with a total of 20MW installed capacity planned and was approved by the relevant authority in December 2019 with its operations expected to commence in or around September 2021; and (ii) Datong Fengze which set up an operating company, namely Datong Yungang, to develop a distributed wind farm in Yungang District in Datong of Shanxi Province and is expected to have an aggregate of 25MW installed capacity, both of which are expected to supply electricity to the relevant local power grid company(ies). The payback periods of the Lingqiu County and Yungang District wind farms developed are expected to be approximately 8.90 years and 9.25 years, respectively; whereas the breakeven periods of the Lingqiu County and Yungang District wind farms are expected to be 13 months and 13 months, respectively. For details on the payback and breakeven period analysis and calculation basis, please see "Future plans and use of proceeds — Reasons for the Listing — Payback and breakeven period analysis of the distributed wind farms in Lingqiu County and Yungang District in Datong of Shanxi Province".

The new wind farm project in Lingqiu County will be partially funded by 31.2% of our net proceeds from the Global Offering, capital injection from our joint venture partner and bank borrowings, whereas the new wind farm project in Yungang District is expected to be funded through our internal sources of funding, capital injection from our joint venture partner and bank borrowings.

According to the F&S Report, (i) the NEA evaluates wind power investment allocation across the PRC annually and may re-classify regions in the PRC in relation to policies on wind farm project approval applications, development and construction in order to ensure that the wind power industry in the PRC as a whole remains sustainable and viable, which may lead to delays in or suspensions of the establishment of our new wind farm projects; and (ii) since the grid architecture is relatively weak in northern Shanxi compared to other parts of the Shanxi Province, there are some difficulties in peak shaving, grid connection and power delivery of new energy projects; whereas the problem of wind curtailment in certain areas (such as Xinzhou, Shuozhou and Datong in northern Shanxi) has not yet been effectively resolved. As a result, Xinzhou, Shuozhou, and Datong in northern Shanxi were still placed on "orange warning", while the distributed wind power projects in Datong Yungang were temporarily suspended in order to moderate the speed of wind farm development in Datong Yungang. Therefore, due to the temporary suspension of approving wind power projects in certain areas in the PRC imposed by the Notice on 2020 Wind Power Investment Monitoring and Warning Results (2020年度風電投資監測預警結果) and Environmental Monitoring and Evaluation Results of the Photovoltaic Power Generation Market in 2019 (2019年度光伏發電市場環境監測評價結果) issued by the NEA in March 2020, the project approval for the wind farm in Yungang District has not yet been obtained as at the Latest Practicable Date.

According to the best information and knowledge of our Directors, the reasons for our Group being able to obtain the project approval for the Lingqiu County wind farm and expecting to obtain the project approval for the Yungang District wind farm is because (i) Mr. Hao Aijun, a manager of Beijing Nature since November 2017 who is involved in the application procedures for the relevant government approvals for the Lingqiu County and Yungang District wind farms, has around 15 years of experience in the renewable energy industry in the PRC and has participated in the development of three wind farm projects in the PRC from previous employments; (ii) our Group has accumulated relevant experience from our wind farm operations; (iii) the current PRC laws and regulations do not have any mandatory provisions of professional qualifications for obtaining wind farm project approvals according to the PRC Legal Advisers; and (iv) of the continual support by the Chinese Government in the wind power development in Shanxi Province according to the F&S Report, notwithstanding the periodical re-classification of regions into different categories for the purpose of treatment of wind power projects by the relevant authorities in the PRC.

Based on the best information and knowledge of our Directors, it is expected that the project approval for the Yungang District wind farm will be obtained by April 2021. According to the best information and knowledge of our Directors, the Notice on Improving the Policy on On-grid Prices for Wind Power (關於完善風電上網電價政策的通知) has no material impact on our Group's plan to develop the two distributed wind farms in Datong of Shanxi Province since (i) project approval for the Lingqiu County wind farm was obtained in December 2019; (ii) project approval for the Yungang District wind farm is expected to be obtained by April 2021; and (iii) the construction period of distributed wind farms with a similar installed capacity and scale of operation as the two distributed wind farms in Datong of Shanxi Province is approximately eight months, which provides sufficient time for the two distributed wind farms to accomplish grid connection prior to the end of 2021 and be entitled to the relevant government subsidies on onshore wind power projects. However, if the development of the distributed wind farm in Yungang District in Datong of Shanxi Province is not approved by the relevant government authorities by April 2021, our Directors intend to utilise the relevant internal available funding to develop a different distributed wind farm through acquisition or capital injection to acquire a controlling stake of an investment company holding a wind farm project satisfying our criteria. We would consider a number of factors and a set of criteria before making the investment, including among others, the location, investment payback and breakeven periods, availability of governmental subsidies of the wind farm project etc., in particular (i) the potential wind farm shall be located at a region categorised as (a) green region by NEA indicating wind farms are promoted within such region or (b) orange warning region where the restrictions on approval applications, the development and construction of distributed wind farms are fully exempted according to the relevant government policies; (ii) the wind farm project shall be supported with governmental subsidies; and (iii) investment payback period for the wind farm project shall be within 11 years. We will carry out feasibility studies on the potential project before investments and use our best efforts to monitor the latest status of the wind power industry in the PRC based on information obtained from market participants in the industry and publicly available information, such as from wind power associations and national and local government sources. As at the Latest Practicable Date, we have not yet identified a suitable investment target.

Our Directors believe that there is a business need to develop the aforesaid distributed wind farms based on the following grounds:

- Wind farm operations is a stable income source since (i) a proportion of the income is derived from renewable energy tariff premium provided by the PRC Government based on the difference between the on-grid price for wind power in the year which a wind farm is approved or grid connection is accomplished for a wind farm project and the benchmark on-grid price for coal-fired power, thus protecting the income source from periodical fluctuations and changes resulting from government policies; and (ii) according to the F&S Report, demand for electricity in the PRC is less susceptible to changes in market conditions than demand for pitch control systems, as evident from the increasing trends in the electricity generated by renewable energy and the proportion of electricity generated by renewable energy in relation to different energy sources in the PRC between 2014 and 2018, with the increase expected to continue beyond 2018 to 2023. According to the F&S Report, the abundant wind energy resources and emphasis on renewable energy in Shanxi Province, our Directors are of the view that these distributed wind farms will bring us stable income in the long run and maintain and increase long-term shareholder value and create maximum customer value.

- Participation in the distributed wind farm operation business in the PRC will enable us to diversify our customer base, enabling us to achieve sustainable growth in the event that demand for our products and services in other business segments experiences periodical fluctuations.

- Striving to strengthen our market position in the wind power industry in the PRC as a wind power and pitch control system solution provider, the operation of our own distributed wind farms would enable us to leverage our experience in pitch control systems and operation and maintenance services to achieve (i) diversification of our product and service portfolio; (ii) increase in data and statistics for conducting R&D; (iii) better understanding of the demands and requirements of other wind farm operators to better serve our customers; and (iv) enhancement of our reputation in the wind power industry in the PRC.

Our Directors believe that investments in wind farms will bring us stable income in the long run. We plan to apply approximately 31.2% or approximately RMB31.3 million (equivalent to approximately HK$34.8 million) of the net proceeds from the Global Offering for the investment into the development of a new distributed wind farm in Lingqiu County in Datong of Shanxi Province by capital injection into Datong Fengyuan. For details, please see "Future plans and use of proceeds" in this prospectus.

Through (i) the investment into the development of the Lingqiu County and Datong District wind farms and (ii) the implementation of the other business strategies as elaborated under "Business — Business strategies", our Directors believe that we will be able to mitigate the possible tightening of liquidity position due to the decrease in the revenue of our wind farms which accomplishes grid connection after 2021, resulting from the reduction of available government subsidies to operators of onshore wind farms which have not accomplished grid connection before the end of 2021 in accordance with policies such as the Notice on Improving the Policy on On-grid Prices for Wind Power (關於完善風電上網電價政策的通知).

According to the F&S Report, (i) policies on electricity generation in the PRC (including but not limited to Inner Mongolia) have been evolving and the NEA issues wind power investment monitoring and warning results area by area from time to time; and (ii) given Inner Mongolia has abundant energy resources, including wind and coal-fired energy resources, Inner Mongolia has been marked with "red warning region" or "orange warning region" indicating that new wind power projects would not be approved or needs to be suspended during certain years. However, since (i) our Duolun Wind Farm accomplished grid connection and commenced operations in 2015; (ii) the policies under "Industry Overview — Overview of wind power industry in China — Regulations and policies of wind turbines and pitch control system market in the PRC (related to Inner Mongolia)" only affect new wind power projects in Inner Mongolia which have yet to accomplish grid connection; (iii) our Group has no intention (whether present or future) to expand its wind power generation business in Inner Mongolia; and (iv) the amount of wind power generation in Inner Mongolia is expected to continue to increase in the near future according to the F&S Report, our Directors are of the view that the aforementioned policies on electricity generation in Inner Mongolia do not have any material impact on our Group's business. For further details on the policies on electricity generation in Inner Mongolia, see "Industry Overview — Overview of wind power industry in China — Regulations and policies of wind turbines and pitch control system market in the PRC (related to Inner Mongolia)".

C. Maintenance service and upgrade and modification works and wind energy related consultancy services

Leveraging our technical expertise as a pitch control system manufacturer, R&D function, as well as our experienced staff with transferable and diverse skillsets within the wind power industry, we have been able to extend our business scope to cover (i) 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 (ii) provision of wind energy related consultancy services over the Track Record Period. These add-on offerings contributed to sales of RMB22.3 million and RMB10.0 million, accounting for 10.0% and 19.4% of our total revenue for FY2019 and 4M2020, respectively.

We intend to emphasise on the expansion of our customer base and the scale of operation of our maintenance service and upgrade and modification works and wind energy related consultancy services segments since our Directors believe that the demand for such add-on offerings is increasing and sustainable in the PRC, notwithstanding the periodical fluctuations in the wind turbine market according to the F&S Report due to (i) the increasing amount of wind turbines passing the time of warranty and the demand for maintenance services; (ii) the digitisation and technological advancements in the wind power industry necessitating wind turbine modifications and upgrades; and (iii) the development of offshore wind power projects which have higher design and specification requirements than their onshore counterparts. Based on the above, our Directors are of the view that such expansion would enable the diversification of our product and service portfolio in the wind power solutions offering market and the reinforcement of our market position in the wind power industry value chain.

In relation to our wind farm operation and maintenance services business, we have entered into an agreement on 23 March 2020 with Shandong Runhai Wind Power Development Co., Ltd.* (山東潤海風電發展有限公司) ("**Shandong Runhai**") who is an Independent Third Party and an enterprise established under the laws of the PRC which is principally engaged in the construction and operation of wind farms for the (i) compatibility upgrade for pitch control systems to enable both high-voltage and low-voltage pitch control operations; (ii) pitch control system software upgrade; and (iii) modification and upgrade works and technical assistance on other components of pitch control systems, from May 2020 to November 2020 with a total contract sum of approximately RMB3.5 million.

We will continue to strive for expansion of each of the above add-on offerings in the future, in particular for our maintenance service and upgrade and modification works. By leveraging our R&D function and our experienced staff with diverse skillsets within the wind power industry, we are also exploring the possibility of expanding our maintenance services and upgrade and modification works to other components of wind turbines.

To expand our wind farm operation and maintenance services, in particular the maintenance service and upgrade and modification works segments, we intend to recruit additional service personnel which satisfy the relevant deployment parameters and are capable of performing general operation and maintenance services, upgrades and modification works at our customers' wind farms to increase the scale of our provision of wind farm operation and maintenance services.

We plan to apply approximately 3.8% or approximately RMB3.8 million (equivalent to approximately HK$4.2 million) of the net proceeds from the Global Offering on the recruitment of 70 additional service personnel to expand our wind farm operation and maintenance services. For details, please see "Future plans and use of proceeds" in this prospectus.

Further strengthen our R&D function to enrich our solutions offering

Our products are well regarded by our customers for their quality and functionalities which is largely attributable to our technical and R&D team's ability to optimise and integrate the hardware and software used in our products. We also strive for providing full range of features with latest technology at competitive prices.

Our R&D function covers various aspects of pitch control systems, such as the overall design and functionality of pitch control systems, hardware and software development, enhancement of the efficiency of the production process, hardware and software designs and streamlining of the production line. We are able to design various models of pitch control systems of wind turbines suitable for different power levels from 2.X MW to 8.0 MW and above and will continue to focus on designing high-voltage pitch control systems.

To satisfy our customers' needs, we are devoted to designing and tailor-making pitch control systems with a wide range of functions such as malfunction diagnosis, condition monitoring, lightning protection, safe restoration, capacitance management, turbine blade angle adjustment, speed control monitoring and braking system. In order to ensure the quality and sustainable use of our products, we will continue to conduct R&D on different aspects of pitch control systems, including but not limited to (i) the increase of their rated power levels to 12.0 MW for offshore wind power projects, which have a large potential for development according to the F&S Report; (ii) upgrades and the lowering of cost of production of ultracapacitors to facilitate after-sales modification and maintenance services; and (iii) the production process and design of the cabinet for the pitch control system, which includes optimising the layout of components and avoidance of electromagnetic compatibility interference.

The capability and functionality of pitch control systems lie in its software. We are devoted to developing and updating software programmes to collect and diagnose data in order to control the blade angle for regulating the wind turbine generator's rotational speed when wind velocity changes, for optimal energy capture and minimisation of potential damages against exceedingly high speed winds. We also develop simulation master control system software for function testing for our pitch control systems.

We plan to strengthen our R&D capabilities to enrich our solutions offering through the following avenues:

- acquiring additional software and testing machines for testing used in the R&D process to facilitate efficient and cost effective quality testing process while reducing the need and cost to engage external testing labs;

- expanding our technical and R&D team by recruiting 13 additional personnel to enhance our R&D capabilities to serve the needs of customers covering both onshore and offshore wind power projects; and

- the development of (a) the integration technique and software for pitch drive controllers supplied by Supplier S as backup to the models currently procured from KEB Shanghai and for customers which have a preference for domestic pitch drive controllers, which is expected to be launched into the market in December 2020; and (b) commercially viable pitch control systems which are compatible with wind turbines with a rated power level of 8.0 MW and 12.0 MW for offshore wind power projects.

We plan to apply approximately 11.4% or approximately RMB11.5 million (equivalent to approximately HK$12.7 million) of the net proceeds from the Global Offering to enhance our R&D capabilities. For details, please see "Future plans and use of proceeds" in this prospectus.

Our Directors are of the view that the strengthening of our R&D capabilities is essential to the financial performance and future growth of our Group since (i) it is necessary for market participants to invest on R&D periodically in order to keep pace with the latest technological developments and to maintain their market position in the wind power industry according to the F&S Report; and (ii) R&D in increasing the rated power levels of pitch control systems to 12.0 MW for offshore wind power projects will enable us to take advantage of the increasing significance of the offshore wind power market and large rated power pitch control systems in the wind power industry according to the F&S Report and improve our market position in the wind power industry as a result.

Recognising the potential for our business with the current market trends, we will continue to accumulate expertise in various aspects of operation, maintenance and investment of wind farms in the PRC. We will also fully leverage our internal resources, R&D function, design and manufacturing capabilities and our ability to provide professional operation and maintenance services to further expand and explore more opportunities within the wind power industry and actively promote our existing solutions offering to our customers. As a result, we expect to generate new attractive revenue streams which would contribute to our future growth.

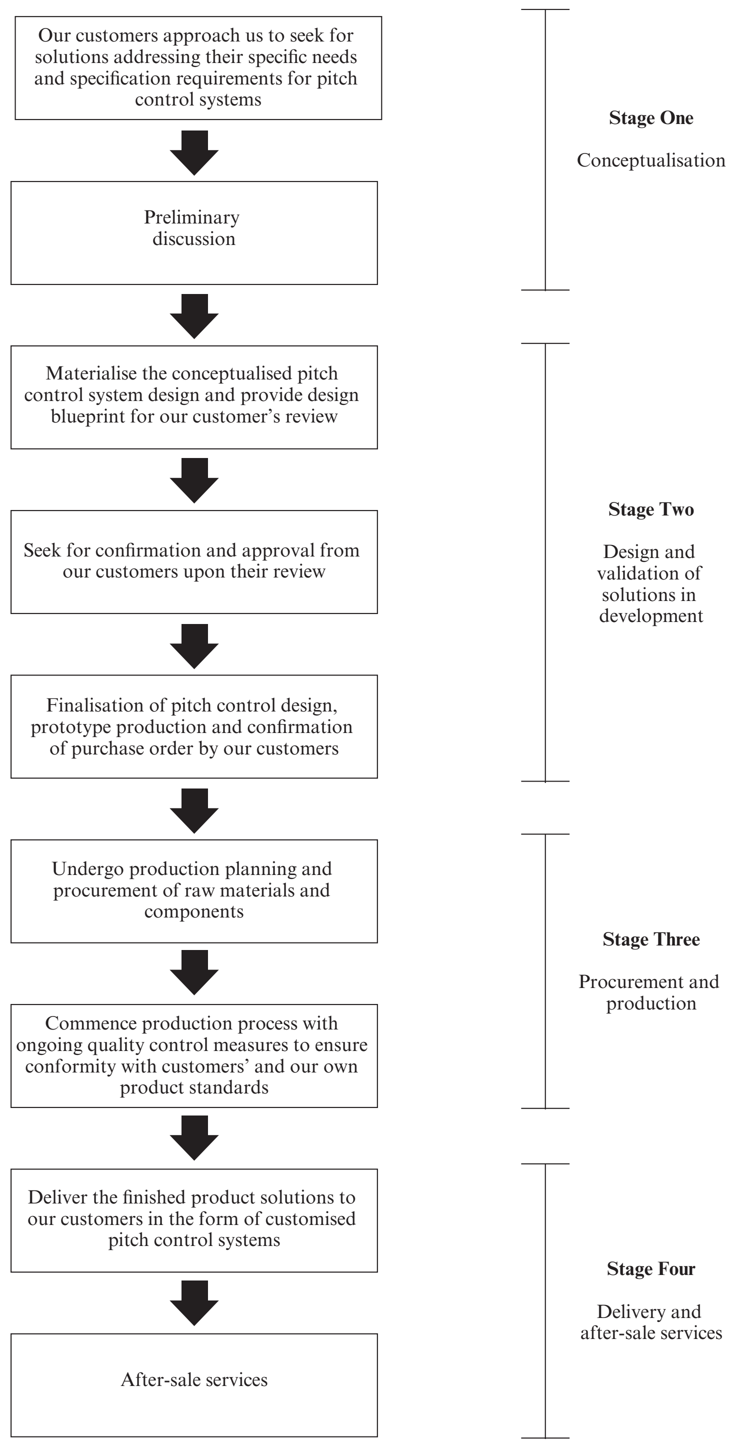
OUR BUSINESS MODEL

Our business segments primarily consist of (i) pitch control system related R&D, integrating, manufacturing and sales and (ii) wind power generation. Capitalising on our experience in delivering pitch control system solutions and wind farm operation, we have expanded our business to the provision of (iii) wind farm operation and maintenance services, which comprise daily maintenance of wind farm equipment, upgrade and modification of pitch control systems, and supply of consumables; and (iv) wind farm consultancy service. During the Track Record Period, we sold around 2,500 pitch control systems, operated one centralised wind farm with 13 wind turbines and a total installed capacity of 19.5 MW, provided operation and maintenance services for two wind farms, and advised on the development of one wind farm.

Pitch control system related R&D, integrating, manufacturing and sales

We develop, manufacture and sell (i) customised pitch control systems and (ii) customised core components of pitch control systems, such as pitch drive controllers, according to the requirements of our customers, and generate revenue from product sales and integration charges. Our pitch control system products are integrated with our proprietary technologies and the premium components that we source from KEB Group, a well-established third party manufacturer of engineering systems headquartered in Germany. 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.

The following diagram illustrates our business model of the pitch control system manufacturing segment:



Conceptualisation

We commence our development process upon receiving our customer's request for customised pitch control systems and core components with specific needs and specifications. Based on our understanding of technology trends and developments in the wind power industry, we place emphasis on our customer's needs and engage in preliminary discussion with our customer as to the design, build and specifications of the solution in development.

Design and validation of solutions in development

During this development stage, we utilise our technical know-how and R&D function to design and develop the pitch control system design. With our advanced R&D equipment and technical expertise, our technical and R&D team engages in various trial and error processes and prototype tests to materialise the design. The time involved in the designing process of an individual pitch control system may vary significantly, depending on the complexity and requirements of our customer. Upon conceptualising the design, we provide our customer with a design drawing for their review and engage in further discussions to ensure that the design is proximate with our customer's operational needs. A prototype of the customised pitch control system based on the aforesaid design is prepared in order to ensure the satisfaction of the specification and functionality requirements of our customer. We then seek for confirmation and approval from our customer and proceed to finalise the design and confirm the purchase order of the customised pitch control system.

Procurement and production

We undergo production planning with the collaborative effort from our technical and R&D and production teams. Subsequently, we procure the required raw materials and components and commence the production process, during which we employ stringent quality control measures with a series of testing under various parameters such as electric performance, wiring etc.

Delivery and after-sale services

As part of our solution package, we source and deliver to our customer the manufactured pitch control system based on the finalised design and customisation options. Our customer will then proceed with their respective converting/production processes as part of the overall production value chain for wind turbines. We also provide a series of after-sale services for customers purchasing our customised pitch control systems, which includes technical consultation, on-site inspections and rectifications and repairs. For details, please see "Our products and services — Pitch control system products and services — After-sale services" in this section.

Depending on the complexity and requirements of our customer, the procurement, production and delivery of the finished pitch control systems may take approximately 2 to 3 months to complete.

Wind power generation

We commenced our wind power generation business in 2015 by operating our Duolun Wind Farm in Inner Mongolia, which is a favourable geographical location for optimal wind turbine efficiency and accordingly, power generation efficiency. 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 or through the Local Power Grid Company.

Under the regulatory framework in the PRC, grid companies such as the Local Power Grid Company must generally purchase and dispatch all electricity generated by renewable energy operators within the coverage of their power grids. The local electricity allocation control centre (e.g. the Inner Mongolia Electricity Allocation Control Centre under the Local Power Grid Company) has the power to limit and allocate the quantity of the on-grid wind power, for the purpose of maintaining the safety of the power grids and better allocation of energy. The local electricity allocation control centre may give instructions to our wind farms from time to time through its control system connected to ours, to limit the quantity of wind power to be generated as it considers necessary. We will correspondingly control the quantity of electricity to be generated from wind power by lowering down or turning off some of our wind turbines. As a result, we may encounter wind curtailment problems and excess capacities of our wind farm operations may be unutilised. For further details associated with our dependence on the availability of power grids with adequate transmission capacity and the impact of transmission limitations on our wind power generation business, please see "Risk Factors — Risks relating to our business — Our sales of electricity are dependent on the availability of power grids with adequate transmission capacity."

With the support of the governmental policy and advancement of the power grid infrastructure, the curtailment problem in Inner Mongolia has been alleviated in recent years. During 2017 to 2019, our Duolun Wind Farm recorded generally stable (i) annual total wind power generated and admitted into the power grid; and (ii) annual utilisation hours. The key operating data of the Duolun Wind Farm during the Track Record Period are as follows:

	As at 31 December/FY			**As at 30 April/4M**	
	2017	**2018**	**2019**	**2019**	**2020**
Number of wind turbines in operation:	13	13	13	13	13
Site area (sq.m.):	20,000	20,000	20,000	20,000	20,000
Total installed capacity (MW):	19.5	19.5	19.5	19.5	19.5
Total utilisation hours (hours)[Note]:	2,696	2,960	2,861	1,092	860
Total wind power generated (GWh):	52.6	57.7	55.8	21.3	16.8

Note: The total utilisation hours is calculated based on the total wind power generated and admitted into a power grid by a wind farm divided by the total installed wind capacity of a wind farm. According to the best information and knowledge of our Directors, the total utilisation hours of our Duolun Wind Farm fluctuated throughout the Track Record Period due to various factors such as (i) changes in the wind conditions of our Duolun Wind Farm and (ii) fluctuating demands for electricity generated from wind power.

We utilised loans from the then shareholders of Datang Gucang, our internal resources and bank borrowings to fund the development of the wind farm project and are responsible for the day-to-day operation and maintenance of it. During the commercial operation of the wind farm, we sell electricity to the Local Power Grid Company and charge on-grid tariff according to a fixed rate regime promulgated by the PRC Government.

The business model of our wind power generation segment involves the following key phases:

1. On-site inspection and selection: We engage qualified third party institutions to conduct on-site explorations and feasibility studies on potential sites based on a range of criteria to determine the suitability and geographical scope of the site, including wind conditions, topography, size and location of the site, potential construction cost (including the cost for land use rights), proximity to and available capacity of grid systems, on-grid tariffs, size of estimated installed capacity, transportation access, availability and ownership of land and environmental characteristics and the estimated financial performance and projected return of the proposed wind project. Our technicians are also involved in the entire process and participate in the evaluation of the aforesaid criteria. The conducting of on-site explorations and feasibility studies on potential sites typically require a period of 12 months.

2. Obtaining governmental approvals: Once our management has reviewed the results of the explorations and studies of the qualified third party institutions and upon its satisfaction that the wind resources, together with other conditions, meet our internal requirements for developing a high-quality wind farm, we will secure the exclusive rights to develop our wind farms at the relevant sites for a specific period from the relevant parties and/or governmental authorities.

   Furthermore, we will seek relevant approvals from various local governmental agencies, including the environmental protection agency, the land and resources agency, construction and planning agency and other governmental authorities responsible for the protection of forest, water, wild life and historical relics and for the mine reservation when applicable. In addition to the governmental approvals, we also need to obtain permits from the local grid companies for grid connection. It generally takes three to six months for us to complete on-site inspection and evaluation and prepare the application documents for the relevant local development reform commissions of the PRC ("**Local DRC**") approval.

Once we have obtained all relevant government approvals, we file an application for final approval to the Local DRC. The application package usually consists of the application for a specific project, feasibility report, approvals from local governments and other supporting documents. It generally takes one to three months for the Local DRC to grant the aforesaid approvals.

3. Design, construction and commissioning: We supervise all aspects of the design and construction of our projects while outsourcing the work to independent third parties that have relevant qualifications in order to control costs and increase efficiency. We engage qualified third party institutions to design and construct the wind farms in accordance with the national, industry and our own standards. During this stage, our technicians, together with third party contractors, also conduct micro-site selection within the wind farm to determine the specific locations for the wind turbines. Under our overall supervision and management, the contractors provide management, labour, certain materials and engineering services required to construct the project.

   Commissioning occurs immediately prior to the commercial operation of a wind power project, which involves testing the operation of each wind turbine and substation, connection to the transmission system and integration within the project. Our wind power projects need to go through off-grid commissioning, on-grid testing and at least 240-hour continuous operation testing prior to commercial operations.

4. Operation and maintenance: We have a dedicated team of service personnel who are responsible for the day-to-day operation and maintenance of the wind farm. Their responsibilities mainly include (i) monitoring the operational data of wind turbines and carrying out ad-hoc repair, regulation and maintenance works to optimise the energy efficiency and production rate of the wind turbines; and (ii) conducting periodic inspection and maintenance of wind farm facilities according to our internal maintenance schedule and procedures for different facilities and components. We impose strict compliance guidelines with our internal safety operation requirements on all of our service personnel. We generally conduct semi-annual and annual overhauls of our wind farm facilities after the initial inspection, which is carried out upon the completion of 500 hours full-capacity power generation by our wind turbines.

According to the F&S Report, it is common practice for wind farm operators to outsource various steps in the establishment of wind farms (such as (i) on-site exploration; (ii) conducting feasibility studies on potential sites; and (iii) designing and construction of wind farms) to qualified third party institutions in order to maximise cost efficiency and benefits derived from the wind farm projects.

We collect on-grid tariff from the Local Power Grid Company based on the meter readings at an agreed rate on a monthly basis.

According to the F&S Report, information in relation to the costs of electricity generation of wind power projects with similar business operations and sizes in Inner Mongolia and Datong of Shanxi Province which are competing or will compete with our existing and planned new wind farms are not publicly available. However, based on market research and interviews with industry peers of the wind power industry in the PRC conducted by Frost & Sullivan, Frost & Sullivan is of the view that the costs of electricity generation for our existing and planned new wind farms are generally in line with that of other wind power projects in the PRC.

Wind farm operation and maintenance

Leveraging our extensive experience in operating the Duolun Wind Farm since 2015, we offer wind farm operation and maintenance services to our customers, which include (i) general operation and maintenance service for wind farms; (ii) upgrade and modification works for pitch control systems; and (iii) supply of consumables. Our experience enabled us to obtain in-depth understanding of the operational needs and challenges faced by wind farm operators, which in turn allows us to offer a comprehensive series of services to provide timely and high-quality technical support during our customers' wind farm operations.

We obtain projects of general operation, maintenance and upgrade and modification works through negotiation or tender, and sign the corresponding service agreements with our customers, who are generally wind farm operators and wind turbine manufacturers.

We provide general operation and maintenance services for the wind farms operated by our customers by dispatching our service personnel who possess the required qualifications and experience to work on the designated sites. Our dispatched service personnel carry out operation and maintenance works according to the policies and procedures set out by us and our customers. The service fee we charge for such services mainly consists of the remunerations of the dispatched service personnel, including their basic salary, social insurance, bonus and subsidies.

We generally charge service fees for our upgrade and modification works, which are mainly determined based on the scope and complexity of the wind farm projects.

Along with the provision of general operation and maintenance services for our customers, we also generate revenue from the supplying of certain consumable to Envision Group, such as lubricants, which are necessary for the daily operation and maintenance of wind turbines located in its wind farms. The equipment and consumables we utilise for the provision of wind farm operation and maintenance services are generally sourced from third party suppliers.

For details of our wind farm operation and maintenance services, please refer to "Our products and services — Wind farm operation and maintenance services" below in this section.

Wind power consultancy

Leveraging our experience in developing the Duolun Wind Farm, we further extended our business to the provision of consultancy service, which mainly involves advice on (i) site selection; (ii) wind assessment; (iii) selection of wind turbine models; and (iv) wind farm design and construction. Our consultancy service aims at maximising the power generation efficiency, increasing the efficacy of the wind farm projects, streamlining the implementation process and controlling cost effectively.

During the Track Record Period, we advised on one wind farm project. Our customer was a company primarily engaged in technology and service advisory of new energy and wind power services in the PRC. We charged our customer service fees based on the scope of the consultancy services.

For details of our wind farm consultancy services, please refer to "Our products and services — Wind farm consultancy service" below in this section.

OUR PRODUCTS AND SERVICES

The products and services we provided during the Track Record Period comprise of (i) pitch control system products and services; (ii) electricity generated from wind farm operations; (iii) wind farm operation and maintenance services; and (iv) wind farm consultancy services.

Pitch control system products and services

As an experienced manufacturer of pitch control systems for wind turbines, we offer high-end products with an emphasis on (i) implementing the latest technologies into our pitch control systems to maintain competitiveness; (ii) minimising operational malfunctions and maintenance costs; (iii) maintaining reliability whilst maximising efficiency; and (iv) increasing lifespan of our products.

We offer customised pitch control systems, which include pitch control systems that are designed, developed and manufactured in accordance with customisation options as required by our customers at different rated power in MW. Rated power refers to the output capacity of a wind turbine as per its nameplate. Based on different rated power, our pitch control systems, corresponding with the rated power of wind turbines, can be classified into 1.X MW, 2.X MW, 3.X MW, 4.X MW etc. ("X" can be varied from 1 to 9, for example, 1.X MW refers to 1.1. MW to 1.9 MW). Wind turbines can be built onshore or offshore, and offshore wind turbines are generally equipped with higher rated power. According to the F&S Report, wind turbine with rated power of 3.X MW or below supports most of the onshore wind power projects; whereas those at 4.0 MW or above support most of the offshore wind power projects in 2018.

Set out below are the breakdowns for our sales of pitch control systems by different rated power levels during the Track Record Period:

	FY2017				FY2018				FY2019				4M2019				4M2020			
Rated power level	Revenue	% of total revenue of sale of pitch control systems	Sales Volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales Volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales Volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales volume	ASP
MW	*RMB'000*	*%*	*Per set*	*RMB'000*	*RMB'000*	*%*	*Per set*	*RMB'000*	*RMB'000*	*%*	*Per set*	*RMB'000*	*RMB'000* (Unaudited)	*%*	*Per set*	*RMB'000*	*RMB'000*	*%*	*Per set*	*RMB'000*
2.X	29,920	90.4	243	123	104,060	87.6	913	114	129,031	84.3	1,005	128	23,051	83.4	214	108	27,272	95.0	262	104
3.X	146	0.4	1	146	2,105	1.8	18	117	8,450	5.5	76	111	1,332	4.8	12	111	—	—	—	—
4.X	3,023	9.1	21	144	12,622	10.6	96	131	15,604	10.2	125	125	3,250	11.8	26	125	1,440	5.0	12	120
Total:	33,089	100.0	265	125	118,787	100.0	1,027	116	153,085	100.0	1,206	127	27,633	100.0	252	110	28,712	100.0	274	105

Note: The above figures for FY2017 excludes fees of RMB3.9 million for integration and assembling services that we offered at the request of customers.

Onshore wind turbines are generally located on flat landscapes, highlands and mountains where there are stable and sufficient wind resources. Offshore wind turbines are generally located in intertidal zones and/or a long distances from shore. Since offshore wind turbines have to accommodate the instability of wind resources, humidity, corrosiveness and exposure to other weather conditions, they have higher design and specification requirements in order to minimise malfunctions and ensure quality performance.

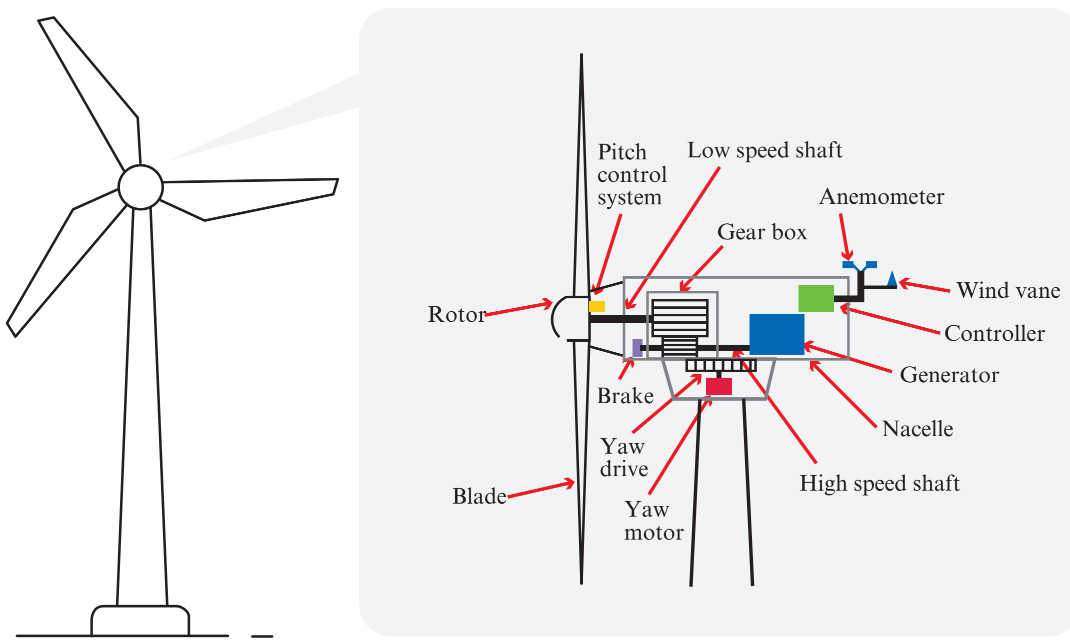
Our pitch control systems can be customised to function optimally in both onshore and offshore wind turbines. In order to withstand the increased exposure to environmental humidity, salt fog, corrosion and typhoons which are prevalent in coastal areas where offshore wind turbines are typically situated at, the pitch control systems which are designed to be installed in offshore wind turbines are equipped with an additional anti-typhoon functionality, enhanced moisture and corrosion resistance properties, as well as additional electrical protection and insulation capabilities. As such, the cabinet, core components and peripherals of these pitch control systems are required to comply with the C4 Level Anti-Corrosion Requirement (C4防腐要求).

Set out below are the breakdowns for our sales of pitch control systems by application in terms of onshore and offshore wind turbines during the Track Record Period:

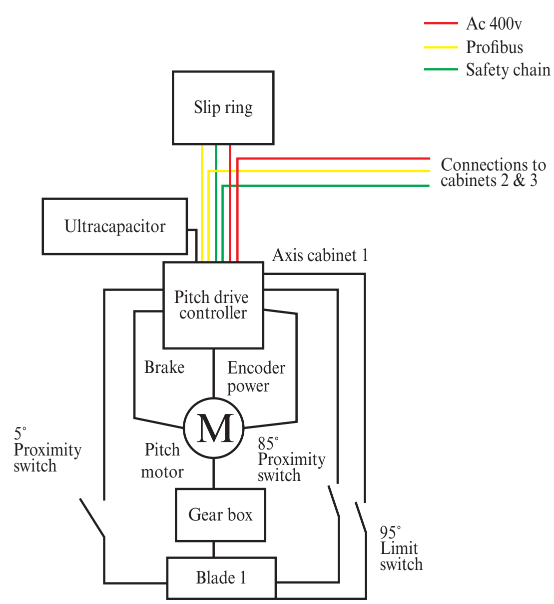
	FY2017				FY2018				FY2019				4M2019				4M2020			
	Revenue	% of total revenue of sale of pitch control systems	Sales volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales volume	ASP	Revenue	% of total revenue of sale of pitch control systems	Sales volume	ASP
	RMB'000	*%*	*Sets*	*RMB'000*	*RMB'000*	*%*	*Sets*	*RMB'000*	*RMB'000*	*%*	*Sets*	*RMB'000*	*RMB'000* (Unaudited)	*%*	*Per set*	*RMB'000*	*RMB'000*	*%*	*Per set*	*RMB'000*
Onshore	30,066	90.9	244	123	106,165	89.4	931	114	137,481	89.8	1,081	127	24,383	88.2	226	108	27,272	95.0	262	104
Offshore	3,023	9.1	21	144	12,622	10.6	96	131	15,604	10.2	125	125	3,250	11.8	26	125	1,440	5.0	12	120
Total:	33,089	100.0	265	125	118,787	100.0	1,027	116	153,085	100.0	1,206	127	27,633	100.0	252	110	28,712	100.0	274	105

Overview of a pitch control system

Pitch control system is contained in the rotor of a wind turbine as shown below:



Photograph of the cabinets of the pitch control system



Brief roadmap of one of the cabinets of the pitch control system

One set of pitch control system

The pitch control system is generally comprised of three cabinets as shown above, which contains the following core components:

Core component	Description
Pitch drive controller ("變槳驅動器")	The pitch drive controller is the functional core control unit that enables the angular adjustment of turbine blades and is implemented with energy output control and safety mechanisms to ensure the smooth operation of a wind turbine.
Pitch motor ("變槳電機")	The pitch motor functions in cohesion with the pitch drive controller to facilitate the regulation of the wind turbine generator's rotational speed via angular adjustment of turbine blades.
Ultracapacitor ("超級電容")	The ultracapacitor is controlled by the pitch motor and functions as a power storage component within the pitch control system, which is more lightweight and offers a faster power charge as compared to traditional power storage components, and enables the supply of electricity when there is a power grid failure.

Depending on the energy production demand and configurations of a wind turbine, the pitch control system facilitates the regulation of the wind turbine generator's rotational speed via the control of blade angles. During the operation of a wind turbine, the pitch control system electronically monitors the energy output of the wind turbine periodically. When the energy output exceeds or falls below the desired level, the pitch control system activates its control mechanism and turns the rotating blades out of or into the wind accordingly.

Our high-voltage pitch control systems

Installed with the latest technologies and high-quality core components, our high-voltage pitch control systems serve as a reliable and efficient adjustment mechanism for our customers' wind turbines. The construct and functionality of high-voltage pitch control system are featured with, as compared to low-voltage ones, (i) higher integration level of the key core components of our pitch control systems which facilitates improved energy production efficiency, planning and grid connectivity of wind turbines; (ii) minimised rate of malfunctions with reduced failure points in the system which reduces the failure rate and maintenance costs in the long run; (iii) more advanced technical capabilities and reliable product design to function as a driving force and braking system for wind turbines designed for high-power electricity production, maximised efficiency and safety; and (iv) lower unit cost due to fewer components in and the constant development of better and more suitable software for high-voltage pitch control systems, according to the F&S Report.

Leveraging our R&D function and technical expertise, we have comprehensive design and development capabilities and own various proprietary technologies and patents in relation to our pitch control systems. The key advantages of our pitch control systems are as follows:

Smart design ("智能")	The design of our pitch control systems feature various smart functionalities such as (i) the electronic monitoring and control of turbine vibration and rotary speed; (ii) the charging and discharging of their backup power source; (iii) the monitoring of their power source; (iv) automated status check of pitch control operation; and (v) self-activated safety mechanism. Our pitch control systems also feature extensive hardware and software compatibility. We keep track of technological developments relating to pitch control systems and ensure that our pitch control system designs are proximate with the latest technologies implemented into wind turbines.
Level of customisation ("定制")	Our pitch control systems are capable of possessing various functionalities, which in turn opens up a wide range of customisation options for us to develop tailored pitch control systems in accordance with our customers' operational needs.
High efficiency ("高效")	Our pitch control systems are furnished with core components that are built with specifications catered for optimal performance of pitch control systems, so as to ensure that wind turbines operate with high efficiency whilst retaining their reliability and cost-effectiveness.

Our pitch control systems are suited for various geographical and climate conditions, including low and high temperatures, high altitude, low wind velocity and coastal area conditions:

High temperature	Our pitch control systems are designed with improvements to cooling and radiation capabilities for operations at temperatures of approximately 65℃.
Low temperature	Our pitch control systems are manufactured with components capable of withstanding low temperatures of approximately -30℃.
High altitude	Our pitch control systems are designed with improvements to low-pressure, corrosion and moisture resistance for operations at altitudes of up to 3,000 metres above sea level on any terrain.
Low wind velocity	Our pitch control systems are compatible with wind turbines which can operate under low wind velocity conditions whilst maintaining efficient energy output.
Coastal area conditions	Our pitch control systems possess anti-typhoon functionality, moisture and corrosion resistance properties which comply with C4 Level Anti-Corrosion Requirement (C4防腐要求), as well as additional electrical protection and insulation capabilities to satisfy the operational requirements of offshore wind turbines.

Customisation of our pitch control systems

We pride ourselves as a manufacturer of pitch control systems capable of designing and developing customised solutions in response to the latest and upcoming technologies within the wind power industry. To cater for our customers' needs, our pitch control systems come with a diverse range of customisable specifications. These customisation options enable us to offer pitch control system solutions which are suited for varied energy production demands of wind turbines and a broad range of wind turbine models in the wind power market.

As part of our pitch control system solutions, we offer pre-sale consultation to customers in need of our pitch control systems. Based on our customers' specific needs and required specifications in relation to pitch control systems, we undergo preliminary discussion to formulate an integration design blueprint for delivering our customised solutions. Our technical and R&D, production and sales departments work closely with one another to ensure that the pitch control system design is suitable for further development and subsequent production.

Set out below are the customisation options of our pitch control systems:

Customisation options	Technological highlights
Weight, dimensions and build of material	Our pitch control systems can be structurally modified as to weight, dimensions and build of material so as to accommodate wind turbines requiring pitch control systems to be lightweight, compact or suitable for fitting into specifically designed turbine cabinets.
Compatibility with wind turbines	Our pitch control systems can be installed with core components which are compatible with wind turbines designed for specific operational needs such as increased energy output etc.
Software integration	Software and programmes with specific functions can be integrated into our customised pitch control systems, such as (i) data collection and analysis and (ii) wind turbine controlling and debugging to enhance the power generation efficiency of wind turbines and enable wind farm operators to closely monitor the condition and efficiency of their wind turbines in accordance with our customers' requirements.
Enhanced functionalities	Our pitch control systems can be incorporated with enhanced mechanisms featuring value-added functionalities, including: — An anti-vibration system which reduces wear-and-tear caused by vibration of components during the operation of wind turbines (風機振動阻力); and — An improved safety mechanism which offers extra protection to wind turbines operating in adverse conditions (功能安全變槳系統).

After-sale services

As part of our pitch control system solutions, we provide a series of after-sale services for customers purchasing our customised pitch control systems. Set out below are details of the after-sales services which we provide:

Technical consultation

We provide technical consultation for our customers. Based on our customers' needs, we typically offer advice on areas including (i) technical advice in relation to the operation of wind turbines facilitated by our pitch control systems; (ii) advice relating to the integration of technologies coincidental to our pitch control systems; and (iii) other areas of advice in relation to our pitch control systems, subject to our customers' queries.

On-site inspections

At our customers' request, we conduct on-site inspections of their wind farm operations to ensure that our pitch control systems are properly installed and adequately facilitating energy production. Our on-site service personnel undergo system adjustments or offer technical advice to optimise the efficiency of our pitch control systems.

Rectification and repairs

In cases of the occurrence of malfunctions and technical issues of our pitch control systems, we endeavor to conduct repairs for our customers as soon as practicable. Upon receiving notice of such issues from our customers, we typically provide preliminary remote support to identify the cause and extent of the issues. If the issues require site visits for further inspection or on-site repairs, we would assign engineers/quality control personnel to our customers' wind farms to rectify the technical malfunctions or issues.

Customised integration services and pitch drive controllers

Leveraging our technical expertise and R&D function in the wind power industry, we also provided integration and assembling services of pitch control systems to our customers during the Track Record Period. Our revenue derived from such services amounted to RMB3.9 million, nil, nil and nil during the Track Record Period, accounting for 6.8%, nil, nil and nil of our total revenue in FY2017, FY2018, FY2019 and 4M2020, respectively.

In addition, we have also provided customised major components of pitch control systems, such as pitch drive controllers from KEB Shanghai, with software integration to better suit the specification and functionality requirements of our customers during the Track Record Period. For FY2017, FY2018, FY2019 and 4M2020, our revenue derived from the sales of customised major components of pitch control systems amounted to nil, nil, RMB27.3 million and RMB6.9 million, accounting for nil, nil, 12.2% and 13.4% of our total revenue for the corresponding periods, respectively.

Wind farm operation and maintenance services

Our wind farm operation and maintenance services mainly consist of (i) general operation and maintenance service for wind farms and (ii) upgrade and modification works for pitch control systems.

General operation and maintenance service

We provide maintenance services at the designated wind farm sites of our customers. Our scope of services mainly include the following:

Installation and regulation	including (i) unloading and quality inspection of major components of wind turbines transported to our customers' wind farms; (ii) installation, regulation and testing of wind turbines and the ancillary facilities such as electronic cables; and (iii) installation of internet facilities for the remote monitoring of wind farms.
Repair and maintenance	including (i) handling emergency alerts and malfunctions arising from the day-to-day operation of wind farms; and (ii) conducting periodic inspection and maintenance of wind farm facilities according to the maintenance schedule and procedures prescribed by our customers.
Safety and compliance	including (i) assessing the operation of on-site personnel to ensure their compliance with the relevant work safety requirements; and (ii) assessing the results of repair, maintenance, modification and testing works in the wind farms to ensure their compliance with the relevant management and quality standards.
Operational data management	including (i) maintaining filing systems for the records of installation, regulation, repair and maintenance works of wind farm facilities, inventory of consumables, personnel attendance, among other operational aspects; and (ii) analysing the operational data of wind turbines collected by the remote monitoring system and preparing monthly report for our customer, with focus on the improvement of energy efficiency, safety and utilisation rates of wind turbines.

Upgrade and modification works

In addition to the services set out above, we also undertake upgrade and modification works for our customers' pitch control systems. Based on our customers' operational needs, we design, develop and implement modification works for our customers' pitch control systems. Our modification works are designed to achieve the following enhancements:

(i) to increase the power output of our customers' wind farms;

(ii) to prolong the lifespan of wind turbines and their corresponding systems;

(iii) to eliminate safety issues in the operation of wind turbines; and

(iv) to ensure reliable, efficient and safe wind farm operations.

Set out below are the highlights of modification works which we implemented into our customers' wind farms:

Modification works	**Features and improvements**
Pitch control system software upgrade* (變槳系統軟件升級改造)	We integrate the latest software or undergo software upgrade for pitch control systems to ensure that the synergy between the software and hardware components of our customers' wind turbines is well-maintained.
Structural upgrade for wind turbine components* (主控制器及變流器的升級改造)	We undergo upgrades and modifications based on the existing components of our customers' wind turbines to enhance their wind power generation capability and efficiency, including upgrades and modifications of pitch drive controller and current transformers etc.
Compatibility upgrade for pitch control systems* (變槳系統高電壓和低電壓穿越技術)	We implement compatibility upgrades for pitch control systems which enable the upgraded pitch control systems to be structurally compatible with both high-voltage and low-voltage pitch control operations.
Conversion upgrade of pitch control systems* (變槳系統改為交流永磁同步系統)	Upon the conversion upgrade of the pitch motor, the precision and system response speed of pitch control systems will be enhanced in order to ensure its efficiency and safety in power generation.

To ensure the quality of our operation and maintenance services, we ensure that our service personnel satisfy the following parameters prior to deployment at our customers' wind farms:

(i) our service personnel are professionally certified to conduct the required works, including (i) Certificate for Conducting Elevated Engineering Works (高空作業證), Certificate for Conducting Low-voltage Engineering Works (低壓電工作業證), Certificate for Conducting High-voltage Engineering Works (高壓電工作業證) and Certificate of Qualification for Conducting Special Engineering Works (特殊作業資質證); and

(ii) our service personnel have received internal service trainings and passed internal assessments corresponding to maintenance works.

In addition to the aforementioned parameters, our service personnel are subject to performance reviews, on-site trainings, as well as assessments arranged by our customers. To ensure operational safety and minimise the occurrence of work accidents and injuries, our service personnel are required to wear and equip safety protection gear and follow strict safety guidelines and protocol when carrying out maintenance works.

Supply of consumables

In order to further expand our existing wind power solutions offering and to satisfy the requirements of the operation and maintenance of wind farms of Envision Group, we have commenced the supply of consumables, such as lubricants, which are necessary for the daily operation and maintenance of wind farms in 2019. Such consumables are sourced directly from, Supplier E, a lubricant supplier within a multinational oil and gas corporation which is a Fortune Global 500 company in 2019, is situated in Texas, USA and listed on the New York Stock Exchange.

Prior to 2017, Envision Group procured its lubricants from Supplier E through an enterprise established under the laws of the PRC, which is principally engaged in the supply of lubricants and cargo transportation services. According to the best information and knowledge of our Directors, the indirect procurement of lubricants by Envision Group from Supplier E is due to (i) Supplier E's policy of engaging local traders and distributors in order to sell its products in a timely and efficient manner; and (ii) the availability of a credit period when purchasing lubricants from Supplier E through traders. In or around FY2017, Envision Group enquired with us regarding the possibility of becoming their supplier of lubricants from Supplier E since Envision Group intended to replace its original supplier of lubricants. Due to (i) our Group not being authorised to supply lubricants from Supplier E; (ii) Beijing BiTe being an existing supplier of lubricants from Supplier E to coal-fired power stations and having sufficient business operations; and (iii) the availability of a credit period of 90 days, which is not available when directly purchasing such lubricants from Supplier E, we entered into a consultancy service agreement with Beijing BiTe and referred it to Envision Group to become its supplier of lubricants from Supplier E for a one-off referral fee of RMB0.3 million, which is based on the anticipated income of Beijing BiTe from the supply of lubricants through Beijing BiTe from Supplier E to Envision Group. In September 2019, we replaced Beijing BiTe to become the supplier of lubricants to Envision

Group from Supplier E. Since the target customer(s) and scope of business of suppliers of lubricants from Supplier E requires the prior approval of Supplier E, we applied to become its authorised supplier for its lubricants and was subsequently authorised by Supplier E to supply lubricants to Envision Group in June 2019, which diversified our revenue drive as a result. According to the best information and knowledge of our Directors and upon making reasonable enquiries, our Directors believe that we were selected by Envision Group to become its supplier of lubricants from Supplier E due to (i) Jiangyin Hongyuan becoming an authorised supplier of lubricants from Supplier E; (ii) our Group having an existing stable relationship with Envision Group as its key supplier of pitch control systems by maintaining a steady supply of 50% or more of the pitch control systems procured by them since 2018; (iii) the enhancement of Envision Group's customer experience resulting from our efficiency in and familiarity with the application of such lubricants since they are applied by our existing service personnel during our provision of wind farm operation and maintenance services to Envision Group during the Track Record Period; and (iv) our ability to source the lubricants at a competitive price from Supplier E due to Mr. Richard Cheng's business connections. Since our Group only commenced the supply of lubricants to Envision Group in FY2019 upon the request of Envision Group, we do not intend to actively expand and look for new business opportunities in such business sub-segment in the future and will only do so based on our customers' demand and/or business needs.

In FY2019 and 4M2020, the gross profit margins derived from our Group's provision of consumables to Envision Group are 16.9% and 18.7%, respectively. According to the F&S Report, in the Chinese wind power lubricant market, the major brands include ExxonMobil, Shell, AMSOIL, Chevron, and TOTAL, and their average wholesale prices are RMB60–90/L, RMB50–80/L, RMB40–70/L, RMB40–70/L, and RMB40–70/L, respectively, while the gross profit margin of authorised distributors for such lubricants range from 5% to 35%. Furthermore, according to the F&S Report and the best information and knowledge of our Directors after making reasonable enquiries, (i) the price at which the lubricants from Supplier E are sold to end-users is decided between Supplier E, the trader and the end-user, with reference to the price for the same lubricants offered to other end-users; and (ii) Supplier E and the trader determines the price at which the lubricants are sold to traders upon the two parties' negotiation, which is largely consistent among traders of the same background. Based on the above, our Directors are of the view that (i) the gross profit margin and (ii) pricing of consumables provided to us from Supplier E and by us to Envision Group from Supplier E are comparable to similar products provided by other industry peers in the market.

Wind farm consultancy service

In January 2019, we entered into a consultancy service agreement with Shanxi Xiyi Wind Power Co., Ltd. (山西西易風能電力有限公司), an enterprise established under the laws of the PRC on 14 April 2016 with a registered capital of RMB14.5 million, who is primarily engaged in technology and service advisory of new energy and wind power services. The Company procured Shanxi Xiyi as our customer through recommendation of our Group due to the business connections of Mr. Richard Cheng by a director of an enterprise established under the laws of the PRC principally engaged in the business of marine, renewable energy and environmental protection technology, to Shangxi Xiyi.

To the best information and knowledge of our Directors, Shanxi Xiyi is wholly owned by Shanxi Xiyi Energy Joint Stock Co., Ltd.* (山西西易能源集團股份有限公司), which (i) is an enterprise established under the laws of the PRC with a registered capital of RMB220 million; (ii) is principally engaged in the investment of coal mines, the wholesale and retail of industrial mining equipment, the wholesale and processing of coal; (iii) has more than 2,000 employees; (iv) has total assets of over RMB400 million; and (v) is held by 16 individuals and the Village Committee of Shuozhou City of Pinglu District of Baitang Township* (朔州市平魯區白堂鄉西易村村委會) ("**Ultimate Beneficial Owners**") as at the Latest Practicable Date. According to the best information and knowledge of our Directors and upon making reasonable enquiries, (i) the Ultimate Beneficial Owners are Independent Third Parties, (ii) the expected annual revenue of Shanxi Xiyi is RMB100.0 million; and (iii) Shanxi Xiyi has around 15 employees as at the Latest Practicable Date. Furthermore, Shanxi Xiyi, as a technology and service adviser of new energy and wind power services in the PRC, coordinates the planning and development of wind farms by various professional parties (such as construction companies, consultancy service providers, etc.) for the generation of income from wind power generation. According to the best information and knowledge of our Directors upon making reasonable enquiries, (i) the Pinglu Wind Farm (defined below) is Shanxi Xiyi's first technology and service advisory project; (ii) Shanxi Xiyi had no customers since its establishment on 14 April 2016 because the Pinglu Wind Farm is currently under development; and (iii) Shanxi Xiyi has entered into an agreement with an enterprise established under the laws of the PRC on 18 May 1989 which is headquartered in the Shanxi Province and principally engaged in the wind power generation industry, for the supply of electricity generated from wind power upon the accomplishment of grid-connection of the Pinglu Wind Farm.

According to the F&S Report, it is common for technology and service advisers of new energy and wind power services in the PRC to provide wind power consultancy services to other service advisers based on (i) its own experience and expertise and (ii) advice from engaging other third party contractors on specialised areas in relation to various aspects of wind farms, such as (a) site selection; (b) wind assessment; (c) selection of wind turbine models; and (d) wind farm design and construction, in order to satisfy the demands of its customers.

Under the aforesaid consultancy service agreement, we are contracted to offer consultancy services in relation to a wind farm project corresponding to the development and construction of a wind farm situated in Pinglu District, Shanxi Province (山西平魯區), namely the Pinglu Liujiayou 98MW Wind Power Project* (平魯劉家窰9.8萬千瓦風力發電項目) ("**Pinglu Wind Farm**"), which is developed and owned by Shanxi Xiyi as at the Latest Practicable Date.

Our consultancy report covers advice based on the industry experience of our senior management on site selection, choices of wind turbines, location of wind turbines and how they should be scattered around, arrangement of tender for purchase of wind turbines, etc. Third party contractors are engaged by our customer in conducting the initial inspections and research for the groundwork of our consultancy report. The project commenced its development and construction in April 2019, with an estimated completion date by the end of 2020.

Furthermore, according to the F&S Report, (i) in terms of the gross profit margin of wind power consultancy services for wind farms in the PRC, it generally ranges from 40% to 60%; (ii) the pricing of wind power consultancy services for wind farms in the market varies based on factors such as the nature of the wind power project, size of the investment in the wind power project, the complexity and technicality of the wind power project and scale of wind farms. The pricing of wind power consultancy services for wind farms of different sizes generally changes in proportion to their expected scale of operations, where larger wind farms have a generally proportionally higher price than smaller wind farms. For example, for a 50MW-scale wind farm, the pricing of wind power consultancy services generally ranges from RMB1.0 million to RMB2.0 million, whereas for a 100MW-scale wind farm, the wind power consultancy services would be generally 1.6–1.8 times the pricing of that for a 50MW-scale wind farm. The pricing of the Pinglu Wind Farm lies within the aforesaid range; and (iii) other terms of the wind energy related consultancy services provided by our Group are comparable to those offered by other industry peers. The gross profit margin of the wind power consultancy services provided by the Company is higher than similar services provided by other industry peers in the market since the wind power consultancy services provided by us to Shanxi Xiyi was a one-off transaction during the Track Record Period. As a result, unlike enterprises which are specialised in the provision of such services, our cost incurred in relation to the provision of such services is relatively low since we (i) did not have to engage or maintain a separate team of employees specifically for the provision of such services and (ii) could rely on the extensive experience of our management, which mainly focus on other aspects of our Group's business operations in the wind power industry in the PRC, to provide such services instead. Save for the gross profit margin, our Directors are of the view that the pricing and terms are comparable to similar services provided by other industry peers in the market.

Investments in the Joint Venture Companies

We invest in and develop distributed wind farms for power generation business via our two joint venture companies, namely Datong Fengyuan and Datong Haiyuan, with our joint venture partner, Liaoning Hailan. Datong Haiyuan and its wholly-owned subsidiary Yanggao Hailan were deregistered on 28 April 2020 and 26 February 2020 respectively given that no desirable location for the distributed wind farm project was identified. For further details, please refer to "History, development and Reorganisation — Joint venture companies".

Set out below are the material terms of the articles of association of Datong Fengyuan and Datong Haiyuan:

	Datong Fengyuan	Datong Haiyuan
Shareholders:	1. Beijing Nature (50%) 2. Liaoning Hailan (50%)	1. Beijing Nature (50%) 2. Liaoning Hailan (50%)
Registered share capital: *(Note 1)*	RMB20 million	RMB4.6 million
Share capital commitment:	Each shareholder shall pay the share capital commitment of its part in full on or before 7 July 2039.	Each shareholder shall pay the share capital commitment of its part in full on or before 8 July 2039.
Scope of business:	Wind power generation; solar power generation; technology development, technology transfer, technical consultancy and technical services in the field of new energy, industry, automation technology; business enterprise management; and business enterprise management consultancy.	Wind power generation; solar power generation; technology development, technology transfer, technical consultancy and technical services in the field of new energy, industry, automation technology; and business enterprise management consultancy.
Right of first refusal:	In case any shareholder proposes to transfer any part of its equity interest in the joint venture company to any third party, the non-selling shareholder shall have the right of first refusal to acquire such equity interest on the same terms as agreed between the selling shareholder and the third party.	
Directorship:	The joint venture company shall be managed by a sole executive director, which shall also be the legal representative of the joint venture company. The sole executive director shall be nominated and elected at shareholders' meeting. The term of the directorship is three years.	

Note 1: As at the Latest Practicable Date, the paid-up share capital of Datong Fengyuan was RMB2.6 million while the same of Datong Haiyuan immediately prior to its deregistration was RMB1 million.

In addition to Datong Fengyuan and Datong Haiyuan, we also invest in and develop distributed wind farm for power generation business via Datong Fengze, an indirect subsidiary of our Company.

Datong Fengze was established under the laws of the PRC on 11 July 2019, with Beijing Nature and Liaoning Hailan being its shareholders, each initially holding 50% of the entire equity interest thereof. Pursuant to an increase of share capital commitment by Beijing Nature in Datong Fengze which was completed on 31 December 2019, the equity interest in Datong Fengze held by Beijing Nature and Liaoning Hailan was changed to 60% and 40% respectively. For further details in relation to the shareholding of Datong Fengze, please refer to "History, development and Reorganisation".

Set out below are the material terms of the articles of association of Datong Fengze after completion of the increase of share capital commitment by Beijing Nature:

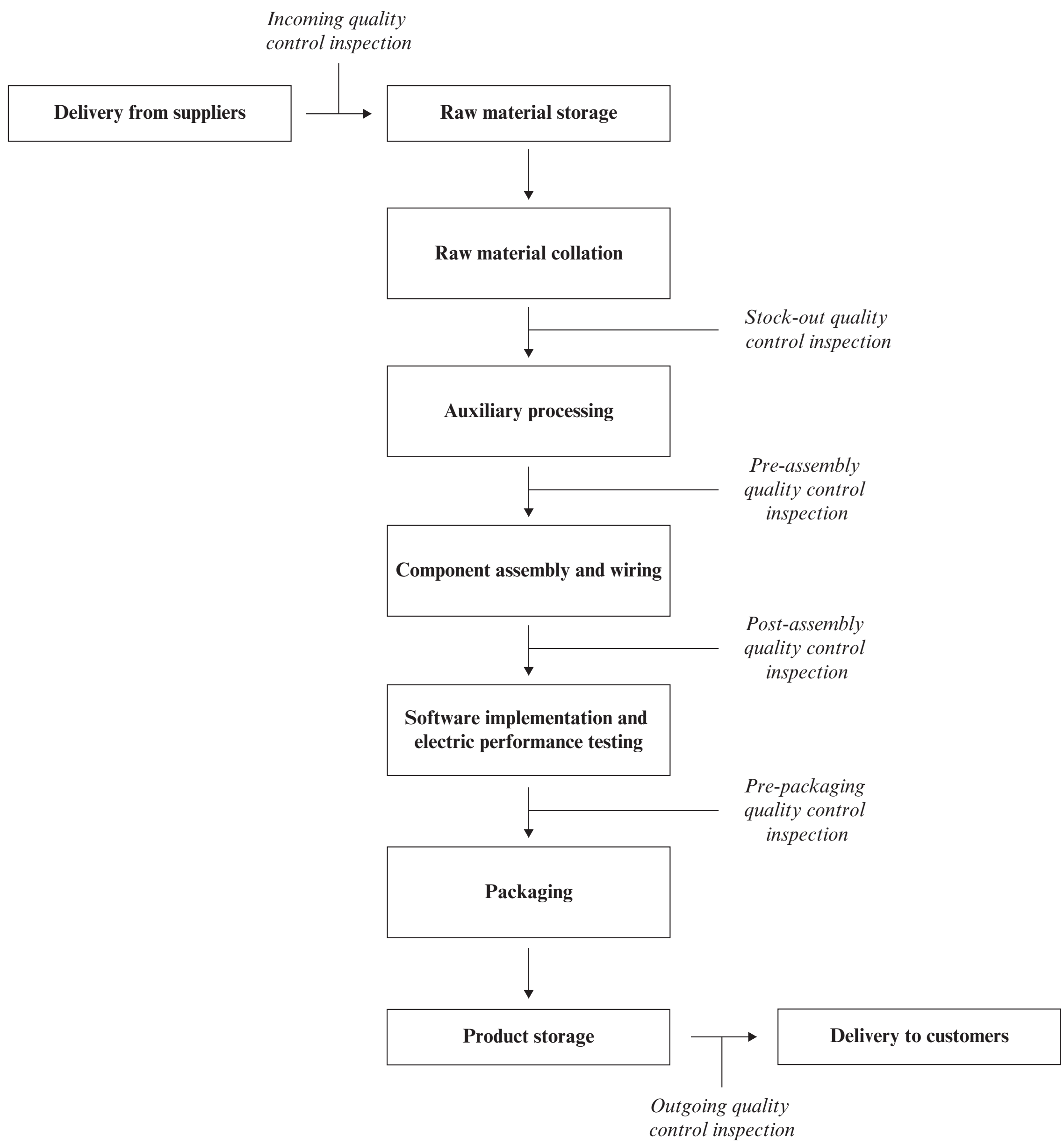
	Datong Fengze
Shareholders:	1. Beijing Nature (60%) 2. Liaoning Hailan (40%)
Registered share capital:	RMB6 million
Share capital commitment:	Each shareholder shall pay the share capital commitment of its part in full on or before 8 July 2039.
Scope of business:	Solar power generation; wind power generation; technology development, technology transfer, technical consultancy and technical services in the field of new energy, industry, automation technology; business enterprise management; and business enterprise management consultancy.
Right of first refusal:	In case any shareholder proposes to transfer any part of its equity interest in Datong Fengze to any third party, the non-selling shareholder shall have the right of first refusal to acquire such equity interest on the same terms as agreed between the selling shareholder and the third party.
Directorship:	Datong Fengze shall be managed by a sole executive director, which shall also be the legal representative of Datong Fengze. The sole executive director shall be nominated and elected at shareholders' meeting. *(Note 1)* The term of the directorship is three years.

Note 1: The decision of shareholders' meeting is based on the respective shareholding percentage held by each shareholder.

PRODUCTION

Production flow

The production process of our pitch control systems are carried out at our production plant situated at Jiangyin City, Jiangsu Province. The following chart demonstrates the production process of pitch control systems carried out by us:



Incoming raw materials, components and parts

We agree with our customers on the lists of raw materials which are to be acquired from our end and from our customers' end respectively. During the Track Record Period, we were generally responsible for procuring major components including pitch drive controllers, pitch motors and auxiliary raw materials such as electric reactors and connective wires, which represent about 50% of the costs of raw materials for a full set of pitch control systems, whereas the remaining raw materials were ordered by our customers which are directly sent to our production plant at Jiangyin City, Jiangsu Province.

Upon receipt of the incoming raw materials, components and parts from our suppliers, quality technicians from our quality control team inspect them in order to ensure that their quality is in line with our internal guidelines and requested specifications. If the raw materials, components or parts are defective, our quality control team will work together with our procurement team to identify the cause of such defects, and return them to the relevant suppliers if needed. The raw materials, components and parts are also cleaned and divided into separate containers in order to maximise their accessibility and the efficiency of our production process.

Raw material collation

Upon receiving a purchase order from our customer, a work order detailing the requisite raw materials, components and parts based on the integration design blueprint is created within our resource planning system. Accordingly, the raw materials, components and parts corresponding to our customer's desired specifications are collated from the raw material inventory or procured from the relevant supplier. Quality technicians from our quality control team then conduct quality checks and inspections in accordance with the prescribed work order.

Auxiliary processing

Prior to the component assembly process, our production team prepares the connective wires and peripherals required for installing the components into the cabinet of a pitch control system. The ultracapacitor will also be assembled separately in this process for subsequent installation.

Component assembly and wiring

The core components of a pitch control system including the pitch drive controller, pitch motor and ultracapacitor are assembled according to a customised design based on our customer's specifications on the desired pitch control system. The components are then affixed into the cabinet of the pitch control system based on the aforementioned design. In order to enhance the efficiency of our production and to facilitate the specialisation of our staff's skillset and technique, we have streamlined the component assembling process by assigning each staff in the assembling process with one step of the entire assembling process.

Upon affixing the core components of the semi-finished pitch control system, electronic technicians from our production team install connective wires into the corresponding cable troughs and ensure that the installed wire connections are properly set up for the finished pitch control system to fulfil all of its function safely and efficiently.

Software implementation and electric performance testing

Once the raw materials, components and parts have been assembled and wired accordingly, our technical and R&D team will implement a customised software and conduct testing on the semi-finished product with our quality testing machine, in order to ensure that the software contains the necessary functionalities, is fully compatible with the rest of the pitch control system and operates in accordance with our customers' specifications and requirements.

Following the implementation of the customised software, electronic technicians from our production team will conduct electric performance tests, assessing parameters such as the voltage level, hardware durability and wiring connectivity of the semi-finished pitch control system. During such tests, electronic technicians will run electricity through the semi-finished pitch control system to simulate on-site utilisation. At the conclusion of the electric performance tests, electronic technicians will determine whether the semi-finished pitch control system can fulfil its functionality requirements pursuant to our customer's specifications and safely operate under a controlled environment.

Packaging

The finished products are wrapped with plastic, placed in an appropriate container and packaged in accordance with our customer's instructions in order to ensure that the hardware components of our pitch control systems are properly packaged and sealed to protect the finished products and to prevent damage caused by the weather or external conditions during the delivery process to our customers.

Quality control inspections

Our quality control team conducts inspections over the semi-finished and finished products throughout the production process in order to ensure that (i) the specifications of the pitch control system are consistent with the requirements of our customer and (ii) the safety and quality guidelines imposed internally and the standard of GB/T 19001-2016/ISO9001: 2015 Quality Management Systems Requirements have been satisfied to maximise the efficiency and functionality of our pitch control systems when used in wind turbines. Our production team will communicate with other departments if any problems in relation to the safety and quality of our products arise. If the semi-finished or finished products are defective due to operational issues in our assembling process, the quality control team will notify the production team to make necessary improvements to the assembling process. Methods of quality control inspections include, but are not limited to, quality control of our machinery and equipment, visual inspection and overall sample testing (for semi-finished products only). Only when a semi-finished or finished product passes all of the aforementioned requirements and guidelines may it proceed to the next stage of the assembling process or be packaged for delivery to our customers.

The auxiliary processing, component assembling and wiring, software implementation and electric performance testing, packaging and quality control inspections at various stages in the production process of our pitch control systems generally takes approximately 34.0 hours in total.

Production capacity and utilisation

Our production plant is installed with advanced production machinery specialising in assembly of pitch control systems, with the capability to produce (i) customised pitch control systems with specific specifications and functionalities as required by our different customers (with adjustments made for calibration required when switching from one to another); and (ii) high quantities of our products with minimal impact on overall quality. Set forth below are the details of our production plant during the Track Record Period and as at the Latest Practicable Date:

Location	Period of operation	GFA
Workshops and attached buildings of Jiangyin Dingli Electronic Materials Co., Ltd., Longtan Road, Yuecheng town, Jiangyin City* (江陰市月城鎮龍潭路江陰市鼎立電子材料有限公司部分廠房及附房)	January 2018 to the Latest Practicable Date	3,530 sq.m.
Workshops of Jiangsu Sanxin Electronics Co., Ltd.* (江蘇三鑫電子有限公司部分廠房)	January 2017 to December 2017	1,978 sq.m.

The assembly of our pitch control systems are carried out by our employees in the production team, which generally work six-day weeks and the skillsets of which are transferrable to serve the requirements of our different customers of our pitch control systems. We believe that the production bottle neck of our pitch control systems is at the quality testing phases by our quality testing machines, which takes approximately four hours by a quality testing machine per pitch control system. Set forth below are our number of quality testing machines, our number of available production hours, our annual production capacity of pitch control systems, our production output of pitch control systems and the utilisation rate of our quality testing machines during the Track Record Period:

	FY2017	**FY2018**	**FY2019**	**4M2020**
Number of quality testing machines	Two/ three(1)	Three	Three	Three/ four(5)
Number of available production hours of quality testing machines *(hours)*(2)	6,020	7,224	7,224	2,664
Production capacity of pitch control systems *(sets)*(3)	1,505	1,806	1,806	666
Actual production output of pitch control systems *(sets)*	611	1,055	1,225	279
Utilisation rate of quality testing machines *(%)*(4)	40.6	58.4	67.8	41.9(6)

Notes:

(1) We purchased and incorporated our third quality testing machine into our production line on 1 July 2017.

(2) The number of available production hours of quality testing machines is calculated based on the number of hours in the working days of FY2017, FY2018, FY2019 and 4M2020 (excluding public holidays in the PRC and our suspension of operation for 10 days in 4M2020 as requested by local government due to the outbreak of COVID-19) multiplied by the number of quality testing machines incorporated into our production line.

(3) The production capacity of pitch control systems is calculated based on the number of available production hours of quality testing machines divided by the time taken for the quality testing phases by our quality testing machines for each pitch control system (i.e. approximately four hours).

(4) The utilisation rate of quality testing machines is calculated based on the production output of pitch control systems divided by the annual production capacity of pitch control systems.

(5) We purchased and incorporated our fourth quality testing machine into our production line on 7 January 2020, resulting in an increase of our annual production capacity of pitch control systems from 1,806 sets in FY2019 to approximately 2,408 sets in the financial year ending 31 December 2020.

(6) The utilisation rate of quality testing machines decreased significantly from 67.8% in FY2019 to 41.9% in 4M2020 mainly due to the following factors: (i) as mentioned in the subsection headed "Seasonality" in this section, our peak season for pitch control systems lies in May to October, whereas low season lies in November to February. Hence, we generally received less orders from our customers from January to April; and (ii) since 7 January 2020, our annual production capacity increased by 33.3% due to the installation of our fourth quality testing machine.

According to a binding ten-year framework agreement with Jiangyin Envision in December 2019, Jiangyin Envision targeted to purchase, based on the business development needs of Envision Group and subject to Envision Group's approval of the terms and conditions and services of our products, not less than 1,500, 1,700 and 1,900 sets of pitch control systems from us for each of the three years ending 31 December 2022, respectively. The minimum purchase quantities for the remaining term of the framework agreement will be further agreed in the second half of 2022. Furthermore, we have also (i) successfully commenced business relationships with Shanghai Electric and Zhejiang Windey in June and November 2019, respectively; and (ii) entered into a strategic cooperative agreement with Shanghai Electric in February 2020 in order to expand our revenue stream from Shanghai Electric to its offshore wind turbines and enhance our relationship with them. Please refer to "Business strategies — Diversification of our customer base — A. Pitch control system related business" above for further details.

Based on the committed purchase amount from Jiangyin Envision according to the aforesaid binding ten-year framework agreement and the successful commencement of business relationships and sales to new pitch control system customers, our Directors estimate that our production line for pitch control systems will exceed its maximum capacity in 2022. In order to satisfy our customers' needs, we plan to increase our production capacity by purchasing one new testing machine and/or increase the number of working hours.

Machinery and equipment

Set forth below is a table showing the major machinery and equipment used in our production process as at the Latest Practicable Date:

Name of machinery and equipment	Principal functions	Quantity	Approximate estimated useful life	Approximate remaining useful life[Note]	Year of purchase or commencement of use
Back-to-back torque testing machine	Measuring the torque values generated from pitch control systems under a closed-circuit back-to-back mechanism	Two	10 years	Six years	2016
		One	10 years	Seven years	2017
		One	10 years	10 years	2020
Rolling conveyor line	Conveyor line for production	One	10 years	Nine years	2019
Electric hoist	Lifting, lowering and moving semi-finished pitch control systems during component assembly and processing	Two	10 years	Eight years	2018
		One	10 years	10 years	2020
Automatic voltage controller	Testing electrical safety by measuring the voltage and resistance values of pitch control systems	One	10 years	Eight years	2018

Note: The remaining useful life of the machinery and equipment is calculated based on the estimated useful life deducting the number of years in use of such machinery.

Repair and maintenance

We implement a series of repair and maintenance procedures of our machinery and equipment. Our production team conducts routine checks on our machinery and equipment on a daily basis and thorough and detailed checks on a quarterly or annual basis. Generally, we check the core parts of our machinery and equipment and conduct thorough cleaning thereof on a regular basis. We maintain a detailed record on repair and maintenance works. We have guidelines for the operation and maintenance of our production facilities. The guidelines contain the schedules, procedures and responsibilities related to the repair and maintenance of our machinery and equipment.

SALES AND OUR CUSTOMERS

As at 30 April 2020, our sales and marketing team comprised of six sales personnel. Our sales and marketing team is responsible for formulating our overall sales strategies, negotiating and finalising sales terms with our customers. Our sales and marketing team also actively develops relationships with new customers through introduction of our pitch control system and our wind power solutions.

Sales

Our primary business is manufacturing and sales of pitch control systems for wind turbines. We are also engaged in ancillary business segments, namely (i) wind power generation; (ii) wind farm maintenance and operation services; and (iii) wind farm consultancy services.

Foreseeing the demand of high-voltage pitch control systems which enhance the efficiency of the operation and lowers the deficiency rate of wind turbines, we commenced to focus on R&D on software and integration techniques for such pitch control systems in 2015. As a result of our strategic focus on development of pitch control system, it became our primary business segment during the Track Record Period. During the Track Record Period, our revenue generated from sales of pitch control systems increased from RMB37.0 million in FY2017 to RMB153.1 million in FY2019, and increased from RMB27.7 million in 4M2019 to RMB28.7 million in 4M2020. 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 commenced our wind power generation business through the acquisition of our Duolun Wind Farm in 2015 which is situated in Inner Mongolia and 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 that are entered into with them, which typically includes terms such as on-grid tariff, metering and settlement methods. Such agreements generally have a term of one year, and can be renewed upon expiry. For details, please refer to "Sales and our customers — Agreements relating to sales". For FY2017, FY2018, FY2019 and 4M2020, we generated revenues of approximately RMB19.3 million, RMB21.4 million, RMB20.2 million and RMB5.8 million, respectively, from the sales of electricity generated by our wind power project.

Our established pitch control system and wind power generation businesses enable us to expand our revenue streams and maximise the value of our in-depth industry knowledge and technical expertise. Leveraging our technical expertise as a pitch control system manufacturer, R&D function, as well as our experienced staff with transferable and diverse skillsets within the wind power industry, we have been able to extend our business scope to cover (i) 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 (ii) provision of wind energy related consultancy services during the Track Record Period.

The development of our business from being a pitch control systems manufacturer and wind power generator to an advanced wind power solution provider diversified our revenue streams and expanded our customer base across business segments. Accordingly, we recorded an increase in revenue from RMB57.3 million for FY2017 to RMB144.4 million in 2018 to RMB222.8 million for FY2019 and increased by 39.4% from approximately RMB36.9 million for 4M2019 to approximately RMB51.5 million for 4M2020.

Our customers

Our major customers mainly comprise of wind turbine manufacturers and local power grid company in Inner Mongolia. Our largest customer, Envision Group, is one of the largest wind turbine manufacturer in the PRC and the world and ranked second and fifth, respectively, in terms of newly installed capacity in 2018, according to the F&S Report. Shanghai Electric is our another major customer. It is an indirectly owned subsidiary of Shanghai Electric Group who is a large scale equipment manufacturing group whose product portfolio covers energy generators for different types of energy such as wind turbines, and was ranked fifth in terms of newly installed capacity in the PRC in 2018, according to the F&S Report.

The following table sets out the breakdown of our revenue by geographical locations of our customers in the PRC during the Track Record Period:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Jiangsu Province	36,061	62.9	123,032	85.2	168,143	75.5	29,592	80.1	38,093	74.0
Inner Mongolia	19,250	33.6	21,384	14.8	24,429	11.0	7,231	19.6	6,341	12.3
Shanghai City	2,003	3.5	—	—	27,289	12.2	113	0.3	6,918	13.4
Shanxi Province	—	—	—	—	2,358	1.0	—	—	—	—
Hebei Province	—	—	8	0.0	616	0.3	—	—	30	0.1
Zhejiang Province	—	—	—	—	—	—	—	—	100	0.2
Total	57,314	100.0	144,424	100.0	222,835	100.0	36,936	100.0	51,482	100.0

Major customers

We had three, two, seven and five customers for FY2017, FY2018, FY2019 and 4M2020, respectively. The revenue attributed to our largest customer, Envision Group, amounted to RMB36.1 million, RMB123.0 million, RMB168.7 million and RMB38.1 million for each of FY2017, FY2018, FY2019 and 4M2020, which accounted for 62.9%, 85.2%, 75.7% and 74.1% of our total revenue for the corresponding periods, respectively. The revenue attributed to our top three, two, five and five customers amounted to RMB57.3 million, RMB144.4 million, RMB222.8 million and RMB51.5 million, for FY2017, FY2018, FY2019 and 4M2020 respectively, accounted for 100.0%, 100.0%, 99.99% and 100.0% of our total revenue for the corresponding periods, respectively.

Set out below is a table displaying the information of our customers during the Track Record Period:

FY2017

Customer	*Note*	Products/Services sold to customer	Revenue generated from the sale *RMB'000*	% of our total revenue	Credit terms	Commencement year of business relationship
Envision Group	*(1)*	Pitch control systems and wind farm operation and maintenance services	36,061	62.9	60 days	2017
Local Power Grid Company	*(2)*	Electric power	19,250	33.6	30 days	2015
Shanghai Yingzhen	*(3)*	Pitch control systems	2,003	3.5	30 days	2016
			57,314	100.0		

FY2018

Customer	*Note*	Products/Services sold to customer	Revenue generated from the sale *RMB'000*	% of our total revenue	Credit terms	Commencement year of business relationship
Envision Group	*(1)*	Pitch control systems and wind farm operation and maintenance services	123,040	85.2	60 days	2017
Local Power Grid Company	*(2)*	Electric power	21,384	14.8	30 days	2015
			144,424	100.0		

FY2019

Customer	*Note*	Products/Services sold to customer	Revenue generated from the sale	% of our total revenue	Credit terms	Commencement year of business relationship
			RMB'000			
Envision Group	*(1)*	Pitch control systems, wind farm operation and maintenance services and lubricants	168,730	75.7	60 to 90 days	2017
Shanghai Electric	*(4)*	Pitch drive controllers	27,289	12.2	30 days	2019
Local Power Grid Company	*(2)*	Electric power	20,211	9.1	30 days	2015
Beijing Shanhe	*(5)*	Upgrade and modification works for pitch control systems	4,217	1.9	5 days	2019
Shanxi Xiyi	*(6)*	Wind farm consultancy service	2,358	1.1	7 days	2019
			222,805	99.99		

4M2020

Customer	*Note*	Products/Services sold to customer	Revenue generated from the sale	% of our total revenue	Credit terms	Commencement year of business relationship
			RMB'000	*%*		
Envision Group	*(1)*	Pitch control systems, wind farm operation and maintenance services and lubricants	38,123	74.1	60 days to 90 days	2017
Shanghai Electric	*(4)*	Pitch drive controllers	6,918	13.4	30 days	2019
Local Power Grid Company	*(2)*	Electric power	5,841	11.4	30 days	2015
Beijing Shanhe	*(5)*	Upgrade and modification works for pitch control systems	500	1.0	5 days	2019
Zhejiang Windey	*(7)*	Pitch control systems and pitch drive controllers	100	0.2	60 days	2019
			51,482	100.0		

Notes:

(1) Envision Group refers to four of the group companies of Envision Energy Co., Ltd.* (遠景能源有限公司), an Independent Third Party who is one of the largest wind turbine manufacturer in the PRC and the world and ranked second and fifth, respectively, in terms of newly installed capacity in 2018, according to the F&S Report. During the Track Record Period, we granted credit terms from 60 to 90 days to Envision Group by different product/service types, i.e. (i) 60 days for the supply of pitch control systems; (ii) 90 days for the provision of wind farm operation service; and (iii) 60 or 90 days for the supply of lubricants.

(2) The Local Power Grid Company refers to the local power grid company established under the laws the PRC, which is in Inner Mongolia and primarily engaged in the supply of electricity.

(3) Shanghai Yingzhen is an enterprise established under the laws of the PRC and indirectly held by Mr. Richard Cheng as to 100% as at the Latest Practicable Date. Shanghai Yingzhen is an investment holding company holding various investments. Please refer to "Our relationship with Shanghai Yingzhen" in this section below for further details of our relationship with Shanghai Yingzhen.

(4) Shanghai Electric refers to an indirectly owned subsidiary of Shanghai Electric Group. Shanghai Electric Group is a large scale equipment manufacturing group whose product portfolio covers energy generators for different types of energy such as wind turbines, and was ranked fifth in terms of newly installed capacity in the PRC in 2018, according to the F&S Report.

(5) Beijing Shanhe refers to Beijing Shanhe Juli Group* (北京山河巨力集團), consisting of Beijing Shanhejuli that directly owns 90% of Datang Wulagai New Energy Co., Ltd.* (大唐烏拉蓋新能源有限公司 ("**Datang Wulagai**")) and Datang (Sunite Zuoqi) New Energy Co., Ltd.* (大唐(蘇尼特左旗)新能源有限公司 ("**Datang Sunite**")) as at the Latest Practicable Date, which are both enterprises established under the laws of the PRC and are primarily engaged in the development, investment, construction, operation and management of renewable energy sources such as wind power. Mr. Richard Cheng used to be a director of these two companies and resigned both of his directorships in November 2017. For further details on Mr. Richard Cheng's relationship with Beijing Shanhe, please refer to "Our relationship with Beijing Shanhejuli" below.

(6) Shanxi Xiyi refers to Shanxi Xiyi Wind Power Co., Ltd. (山西西易風能電力有限公司), an enterprise established under the laws of the PRC, who is primarily engaged in technology and service advisory of new energy and wind power services.

(7) Zhejiang Windey refers to Zhejiang Windey Co., Ltd. (浙江運達風電股份有限公司), an enterprise established under the laws of the PRC and listed on the Shenzhen Stock Exchange (Stock code: 300772). Zhejiang Windey is primarily engaged in manufacturing of electric generators and its components and recorded a revenue of RMB3,311 million in the year ended 31 December 2018.

In respect of our offering of pitch control systems, our pitch control systems are manufactured in accordance with a customised design based on our customers' specific needs and required specifications. During the Track Record Period, we generally require full payment by bank transfer and bank acceptance.

Our relationship with Shanghai Yingzhen

In 2015, Mr. Richard Cheng explored business relationship with Envision Group, a global top wind turbine manufacturer with production plant based in Jiangyin City, Jiangsu Province. Mr. Richard Cheng started with supplying core parts of low-voltage pitch control systems to Envision Group in 2015 through his investment holding company, namely Shanghai Yingzhen, on a temporary basis to tap the market before an entity was established solely for pitch control system business. Mr. Richard Cheng shortly observed the great potential of high-voltage pitch control system business, since at that time low-voltage pitch control systems were prevalent in the PRC and there was a lack of market players who were willing to devote resources in developing high-voltage pitch control systems. As such, in order to capture the then anticipated opportunities in pitch control system business and to better serve Envision Group, Mr. Richard Cheng, through China Transport, established Jiangyin Hongyuan and our production plant in Jiangyin City, Jiangsu Province in 2016. Please refer to "Production — Production capacity and utilisation" in this section above for further details of our production plant in Jiangyin City, Jiangsu Province. As it took time for Envision Group to enlist a new entity as a supplier, Jiangyin Hongyuan could only supply pitch control systems to Envision Group through Shanghai Yingzhen (i.e. Shanghai Yingzhen as the direct customer to Envision Group and Shanghai Yingzhen subcontracted the work to our Jiangyin Hongyuan) during early 2016 to mid-2017 until Jiangyin Hongyuan was enlisted as Envision Group's supplier. Since then, Shanghai Yingzhen has stopped engaging in any pitch control system business and remained as an investment holding company of Mr. Richard Cheng. In 2018, Shanghai Yingzhen sold its remaining inventory of raw materials for pitch control systems to Jiangyin Hongyuan amounting to RMB0.3 million, representing 0.4% of our total purchases in FY2018.

The revenue attributed to Shanghai Yingzhen was RMB2.0 million, nil, nil and nil for each of FY2017, FY2018, FY2019 and 4M2020, respectively, representing 3.5%, nil, nil and nil of our total revenue, during the corresponding periods. The gross profit attributable to Shanghai Yingzhen amounted to RMB0.4 million, nil, nil and nil for each of FY2017, FY2018, FY2019 and 4M2020, respectively. The gross profit margin attributable to Shanghai Yingzhen amounted to 22.0%, nil, nil and nil for each of FY2017, FY2018, FY2019 and 4M2020, respectively.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, (i) the terms of the transactions were on normal commercial terms; (ii) the transactions were conducted in the ordinary and usual course of business; and (iii) there had not been any transactions between Shanghai Yingzhen and us since FY2018.

Our relationship with Beijing Shanhejuli

In May 2013, Beijing Gucang (a subsidiary of Beijing BiTe) established Beijing Shanhejuli to partner with Datang Xianghuangqi to set up Datang Gucang for the Duolun Wind Farm. At about the same time, Mr. Richard Cheng set up Beijing Nature with Beijing BiTe targeting wind farm businesses. At the material time, Mr. Richard Cheng did not have any position or role in Beijing BiTe, Beijing Gucang nor Beijing Shanhejuli. However, given his experience and knowledge in clean energy sector and his interests in acquiring wind farms which may provide an exit for Beijing BiTe's investment, Beijing Shanhejuli designated Mr. Dai Jinlong and Mr. Richard Cheng as two of the three directors for Datang Gucang in 2013. Mr. Hu Xianfu was designated by Datang Xianghuangqi as the remaining one director of Datang Gucang.

In 2014, Beijing Shanhejuli set up two more project companies with Datang Xianghuangqi, namely Datang Wulagai and Datang Sunite, for another two wind farms. In the aforesaid backdrop, the same persons have been appointed as the directors of Datang Wulagai and Datang Sunite. In 2015, taking into account the stage of development and size of the Duolun Wind Farm, Mr. Richard Cheng considered it an appropriate investment and acquired the then interests in Datang Gucang held by Beijing Shanhejuli through Beijing Nature at a consideration determined with reference to the registered capital of Datang Gucang. To the best information and knowledge of our Directors, Beijing Gucang disposed of its interests in Beijing Shanhejuli (and hence its indirect interests in Datang Wulagai and Datang Sunite) to Independent Third Party(ies) in 2016. As at the Latest Practicable Date, Beijing Shanhejuli directly owns 90% of Datang Wulagai and Datang Sunite.

Mr. Richard Cheng intended to resign from both directorships in Datang Wulagai and Datang Sunite since Beijing Gucang's divestment in all of its shareholding in Beijing Shanhejuli in July 2016. However, since there were delays in the administrative process of the resignation and replacement of the relevant directorships, the cessation of directorships were not effective until November 2017 and Mr. Richard Cheng had no roles or involvement since then. During Mr. Richard Cheng's tenure of directorships in Datang Wulagai and Datang Sunite from March 2014 and November 2017, Mr. Richard Cheng has not been involved in day-to-day management of the businesses of Datang Wulagai and Datang Sunite, but as a director fulfilling his directors' obligations, he attended board meetings and reviewed documents tabled at the meetings which include business reports, financial reports and financial budgeting of the two companies.

The gross profit margins derived from our Group's provision of upgrade and modification works for pitch control systems to Beijing Shanhe during the Track Record Period is 69.9%. According to the F&S Report, (i) in terms of the pricing and gross profit margin of upgrade and modification works for pitch control systems in the PRC, they vary greatly from project to project. In general, the gross profit margin is 30%–50%, and sometimes it is higher than 50% for some enterprises; and (ii) the price and other terms of the upgrade and modification works provided by our Group, such as the applicable quality standards, are comparable to those offered by other industry peers. Since the gross profit margin of the upgrade and modification works for pitch control systems of Beijing Shanhe is only slightly higher than the aforesaid range and is consistent with the industry norm, our Directors are of the view that the pricing, gross profit margin and terms are comparable to similar services provided by other industry peers in the market.

To the best knowledge of our Directors, save as disclosed above, none of our Directors and their respective close associates or any of the Shareholders holding more than 5% of our Company's share capital as at the Latest Practicable Date has any interest in any of our five largest customers during the Track Record Period.

Customer concentration

The revenue attributed to our largest customer, Envision Group, amounted to RMB36.1 million, RMB123.0 million, RMB168.7 million and RMB38.1 million for each of FY2017, FY2018, FY2019 and 4M2020, which accounted for 62.9%, 85.2%, 75.7% and 74.1% of our total revenue for the corresponding periods, respectively. The revenue contributed by our second largest customer, the Local Power Grid Company, was RMB19.3 million, RMB21.4 million, RMB20.2 million and RMB5.8 million, for each of FY2017, FY2018, FY2019 and 4M2020, representing 33.6%, 14.8%, 9.1% and 11.3% of our total revenue, respectively.

We acknowledge that our customers are concentrated and are aware of the risks generally associated with customer concentration. Nevertheless, we do not consider that such customer concentration reflects or impacts negatively on our sustainability, taking into account the industry characteristics generally applicable to our business, the specific circumstances relevant to our business and operations, the progress we have so far achieved in reducing our customer concentration and the strategies to be deployed following the Listing.

For the relevant risks involved, please see "Risk factors — A significant portion of our revenue is derived from our largest customer, Envision Group, and any decrease or loss of business from it could materially and adversely affect our business, financial condition and results of operations".

Reasons for our customer concentration

Our Directors consider that our customer concentration during the Track Record Period is contributed by a combination of the following key factors:

(1) According to the F&S Report, due to the high concentration of wind turbine manufacturers in the PRC, which is evident from (i) the limited number of wind turbine manufacturers in the PRC and (ii) the top ten wind turbine manufacturers ranked by newly installed capacity in the PRC having increased their market share from 80.3% in 2014 to 90.0% in 2018, the pitch control system market has become concentrated. As a result, pitch control system manufacturers usually have extremely concentrated customers and wind turbine manufacturers in the PRC generally have one to four pitch control system suppliers according to the F&S Report (out of the top 10 wind turbine manufacturers in the PRC in 2018, (i) four (40%) had only one pitch control system supplier; (ii) five (50%) had two to three pitch control system suppliers and (iii) one (10%) had four pitch control system suppliers). Among the top ten pitch control system manufacturers in 2018, seven pitch control system manufacturers only had one customer, one manufacturer had two customers and two manufacturers had three or more customers. The pitch control system manufacturing market in the PRC is highly concentrated since (i) customers of pitch control system manufacturers, which are wind turbine manufacturers, are increasingly concentrated in the PRC and the limited number of wind turbine manufacturers led to the limited choice of pitch control system manufacturers to expand their business to different customers; (ii) wind

turbine manufacturers are generally unwilling to choose multiple suppliers due to the need for wind turbine manufacturers to share confidential technical parameters to pitch control system manufacturers during their cooperation in order to customise their products; and (iii) wind turbine manufacturers prefer to build long-term and stable relationships with pitch control system manufacturers due to the limited choice of pitch control system manufacturers that meet their scale, standards and technical requirements. For further details, please see "Market and competition" below.

(2) Our Group is able to maintain a stable relationship with Envision Group, our largest customer during the Track Record Period. We maintained our customers' loyalty through providing customised high-voltage pitch control systems of advanced technology, reliable and customised wind power solutions and our R&D function.

Sustainability of our business

We believe that our business is sustainable due to the grounds set forth below.

(1) Our ability to maintain stable relationship with Envision Group

Envision Group is a well-established global wind turbine supplier and wind farm operator, with regional offices across Asia, Europe, North and South Americas. According to the F&S Report, Envision Group is second and fifth largest wind turbine manufacturer in the PRC and the world, respectively, in terms of newly installed capacity with market share of 19.8% and 8.4%, respectively, in 2018. Taking into account of the increase in newly installed capacity of Envision Group by approximately 43.5% from approximately 4.2GW in 2018 to 6.0GW in 2019 and that our sales to Envision Group increased from RMB29.6 million for 4M2019 to RMB38.1 million for 4M2020 by 28.7%, our Directors believe the financial position and performance of Envision Group would not have any material adverse impact on our Group's business.

We started to manufacture pitch control systems for Envision Group since 2016 through Shanghai Yingzhen. For details, please refer to "Business — Sales and our customers — Our relationship with Shanghai Yingzhen". We seek to maintain stable relationship with them by (a) securing a long term framework agreement with them; and (b) extending services and in the products offering to them.

Our Directors are of the view that the following shows the mutual reliance between our Group and Envision Group during the Track Record Period:

(i) According to the F&S Report, (i) we are one of the pioneers who realised the integration of hardware and software to offer high-voltage pitch control systems in the PRC market; and (ii) 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%. Based on (i) our experience in realising customised high-voltage pitch control systems, (ii) the protection over our products offered by our patents and software copyrights, (iii) our sizeable market share in the pitch control system market, (iv) our strong production capacity to meet the various needs of customers, (v) the high stability of our products, and (vi) our positive market reputation for the quality of our products and services, our Directors are of the view that our products are not easily replicated by our competitors.

(ii) Since 2018, we have become a key supplier of pitch control systems for Envision Group, maintaining a steady supply of 50% or more of the pitch control systems procured by them.

(iii) We have entered into a binding ten-year framework agreement with Jiangyin Envision in December 2019, pursuant to which Jiangyin Envision agrees to purchase not less than 1,500, 1,700 and 1,900 sets of pitch control systems from us for each of the three years ending 31 December 2022, respectively. The targeted purchase quantities for the remaining term of the framework agreement will be further agreed in the second half of 2022. The targeted purchase quantities under the binding ten-year framework agreement with Jiangyin Envision is subject to the business development needs of Envision Group and subject to Envision Group's approval of the terms and conditions and services of our products.

As we are able to maintain a reliable supply of pitch control systems so as to complement the manufacturing of wind turbines by Envision Group, our business relationship with them remains mutually beneficial and as we continue to supply customised high-voltage pitch control systems to them, such relationship is expected to be further sustained and reinforced in the long run.

From 1 January 2020 to 31 July 2020, Envision Group had placed purchase orders with us for 1,528 sets of pitch control systems, which exceeds the targeted purchase quantities for 2020 in accordance with the framework agreement entered into with Envision Group. Out of the 1,528 sets of pitch control system Envision Group had ordered, we had delivered to it 692 sets as at 31 July 2020. To the best knowledge of our Directors and after making reasonable enquiries, we estimated the total purchase volume by Envision Group for each of the three years ending 31 December 2022 would be no less than 1,600 sets, 1,700 sets and 1,900 sets, respectively, and Envision Group is confident that they would be able to meet the targeted purchase quantities for the three years ending 31 December 2022. As at the Latest Practicable Date, we are not aware of any intention of Envision Group to terminate the ten-years framework agreement with us or any change in its business development needs or internal policies regarding approval of terms and conditions that would affect its purchase quantities from us. Based on the above, our Directors are of the view that Envision Group will be able to meet the current targeted purchase quantities for the three years ending 31 December 2022.

We have also successfully extended our offering of services and products to Envision Group over the Track Record Period. Such services and products also include solutions offering for wind farm operation and maintenance and supply of consumables such as lubricants. For FY2017, FY2018, FY2019 and 4M2020, sales derived from Envision Group for these services and products amounted to RMB0.9 million, RMB4.3 million, RMB15.5 million and RMB9.5 million, respectively, accounting for 1.6%, 2.9%, 7.0% and 18.5% of our total revenue during the corresponding periods. In late 2019, we have also been awarded with a tender by Envision Group for modification and upgrade work for pitch control system, with a contract amount of RMB1.0 million.

We believe that our customers most value the reliability, efficiency and cost-effectiveness of our wind power solutions. We are committed to continually improve such qualities and implement the latest technologies into our solutions offering. We also seek to maintain and increase sales to our existing customer base through providing after-sales services which are tailored to customers' specific needs. We will also continue to leverage our extensive industry experience, ability to provide wind power solutions covering multiple aspects within the wind power industry value chain, our management team with strong strategic vision and servicing capabilities to further enhance our market share in the PRC.

(2) Diversification of our customer base in pitch control system segment

We strive to diversify our customer base by expanding our customer portfolio in both of our pitch control system related business and wind farm operations.

Other than Envision Group, we have successfully commenced business relationship with Shanghai Electric in June 2019, which is an indirectly owned subsidiary of Shanghai Electric Group. Shanghai Electric Group is a large scale equipment manufacturing group whose product portfolio covers energy generators for different types of energy such as wind turbines, and was ranked fifth in terms of newly installed capacity in the PRC in 2018, according to the F&S Report. Our revenue derived from Shanghai Electric amounted to RMB27.3 million, accounting for 12.2% of our total revenue in FY2019. From 1 January 2020 up to the Latest Practicable Date, we further secured purchase order from Shanghai Electric with a total invoice amount of RMB24.2 million. In order to expand our revenue stream from and enhance our business relationship with Shanghai Electric, we have also entered into a strategic cooperative agreement with Shanghai Electric in relation to our pitch control systems and their major components in February 2020, which involves our supply of pitch control systems and their major components compatible with the offshore wind turbines of Shanghai Electric. According to the F&S Report, Shanghai Electric Group has the largest new offshore wind turbines installed capacity in the PRC between 2015 to 2018, with cumulative installed capacity of 45.3%, 58.3%, 55.1% and 50.9% in the PRC market in each of the respective years.

Furthermore, we have been awarded a tender for the supply of 120 sets of pitch control systems with a total contract sum of approximately RMB23.8 million and entered into a sales agreement in November 2019 with Zhejiang Windey, a wind turbine manufacturer in Zhejiang Province who ranked sixth in terms of newly installed capacity in the PRC in 2018, according to the F&S Report.

For further details on our business relationship with Shanghai Electric and Zhejiang Windey, please refer to "Business strategies — Diversification of our customer base — A. Pitch control system related business" in this section.

Although our production facilities were initially set up to cater for Envision Group, those production facilities and the skills of our production team can be readily transferred to serve different customers without material additional time and costs involved since there are no material differences between the production flow and requisite skills necessary for the production process for different customers in our pitch control system related business. Leveraging on these, we will continue to identify potential customers who are interested in our pitch control systems and try to secure purchase orders from them.

(3) Diversification of our customer base and increase revenue driver in wind power generation business

In relation to our wind power generation business, our Duolun Wind Farm is a centralised wind farm, where we sell electricity generated from wind power to the Local Power Grid Company, and our electricity generated from wind power is admitted to the power grid. Such wind power generated are generally collected together by one or more transformer substations, admitted to the power grid and then transported for a long distance. There is also distributed wind farms in the industry which refer to wind power projects located near the center of the power load and not for high-power long-distance power transmission, and their generated electricity is connected to the nearby power grid and consumed locally.

According to the F&S Report, it is estimated that the market value of distributed wind farms in terms of total investment amount will increase from RMB34.2 billion to RMB83.4 billion from 2019 to 2023, with a CAGR of 25.0%. Foreseeing the optimistic prospect of the distributed wind farm business, in the second half of 2019, we strategically invested in the interest in (i) Datong Fengyuan which set up an operating company, namely Lingqiu Fengyuan, to develop a distributed wind farm in Lingqiu County in Datong of Shanxi Province with a total of 20MW installed capacity planned and was approved by the relevant authority in December 2019 with its operations expected to commence in or around September 2021; and (ii) Datong Fengze which set up an operating company, namely Datong Yungang, to develop a distributed wind farm in Yungang District in Datong of Shanxi Province and is expected to have an aggregate of 25MW installed capacity, both of which are expected to supply electricity to the relevant local power grid company(ies). The approval for the wind farm in Yungang District has not yet been obtained as at the Latest Practicable Date due to restrictions imposed by policies promulgated by the NEA. Based on the best information and knowledge of our Directors, it is expected that the project approval for the Yungang District wind farm will be obtained by April 2021. However, if the development of the distributed wind farm in Yungang District in Datong of Shanxi Province is not approved by the relevant government authorities by April 2021, our Directors intend to utilise the relevant internal available funding to develop a different distributed wind farm through acquisition or capital injection to acquire a controlling stake of an investment company holding wind farm project satisfying our criteria. For further details, please refer to "Business strategies — Diversification of our customer base — B. Wind power generation business" in this prospectus. Our Directors believe that it will bring us stable income in the long run.

(4) Diversify our revenue streams

Leveraging our technical expertise as a pitch control system manufacturer, R&D function, as well as our experienced staff with transferable and diverse skillsets within the wind power industry, we have been able to extend our business scope to cover (i) 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 (ii) provision of wind energy related consultancy services over the Track Record Period. These add-on offerings contributed to sales of RMB22.3 million and RMB10.0 million, accounting for 10.0% and 19.4% of our total revenue for FY2019 and 4M2020, respectively.

In relation to our wind farm operation and maintenance services business, we have entered into an agreement on 23 March 2020 with Shandong Runhai who is an Independent Third Party and an enterprise established under the laws of the PRC which is principally engaged in the construction and operation of wind farms for the (i) compatibility upgrade for pitch control systems to enable both high-voltage and low-voltage pitch control operations; (ii) pitch control system software upgrade; and (iii) modification and upgrade works and technical assistance on other components of pitch control systems, from May 2020 to November 2020 with a total contract sum of approximately RMB3.5 million.

We will continue to strive for expansion of each of the above add-on offerings in the future.

We summarise the fruitful outcome from our efforts to diversify our customer base and revenue drive below.

During the Track Record Period, we had three new major customers (namely Shanghai Electric, Beijing Shanhe and Shanxi Xiyi. Please refer to "Sales and our customers — Major customers" in this section for further details of the background of these customers). The revenue from these three new major customers amounted to nil, nil, RMB33.9 million and RMB7.4 million for each of FY2017, FY2018, FY2019 and 4M2020 and accounted for nil, nil, 15.2% and 14.4% of our total revenue for the corresponding periods, respectively. Shanghai Electric continued to contribute to our revenue subsequent to the Track Record Period.

Our revenue attributable to Envision Group for FY2017, FY2018, FY2019 and 4M2020 accounted for 62.9%, 85.2%, 75.7% and 74.1%, which shows a decreasing trend since FY2018. Such decreasing trend was primarily due to the increase in revenue contribution of Shanghai Electric.

During FY2019 and subsequent to the Track Record Period, other than Shanghai Electric, we also expect the following new customers would contribute to our revenue for the year 2020 and the first quarter of 2021, which is supported by indicative or confirmed orders/project backlogs from the relevant customers:

New customer	*RMB('000)*	**Products to be sold or services to be rendered**
Zhejiang Windey	32,000	Supply of high-voltage pitch control systems
Customer C	14,000	Supply of high-voltage pitch control systems
Beijing Shanhe	1,500	Maintenance service for wind farms
Shandong Runhai	3,300	Upgrade and modification works for pitch control systems

Taking into account of the above, we believe our business would be sustainable in the long run and bring long term value to our Shareholders.

Pricing policy

We generally price our products and services on a cost-plus basis as well as considering the products or services to be sold, prevailing market prices and conditions, costs of production, our relationship with our customers and expected margins. Our prices for pitch control systems would vary depending on the proportion of raw materials that we are responsible of purchasing. We agree with our customers on the lists of raw materials which are to be acquired from our end and from our customers' end respectively. During the Track Record Period, we were generally responsible for procuring major components including pitch drive controllers, pitch motors and auxiliary raw materials such as electric reactors and connective wires, which represent about 50% of the costs of raw materials for a full set of pitch control systems, whereas the remaining raw materials were ordered by our customers. During August to December 2019, we extended to include ultracapacitor (another core component for pitch control system, representing about 25% to 30% of the costs of raw materials for a full set of pitch control systems) in the list of raw materials to be procured from our end for orders to be placed by our largest customer.

In relation to the sales of electricity generated from our wind power projects, on 20 July 2009, NDRC issued the Notice on Improving the Policy on On-grid Prices for Wind Power Generation (關於完善風力發電上網電價政策的通知), standardising the administration of wind power price by the means of determining benchmark on-grid prices for wind power by resource regions. Each wind power generation enterprise shall record truly and completely the relevant documents about the on-grid energy, on-grid price and subsidies for the wind power project and accept the supervision and regulation from the competent governmental authorities. According to the Notice on Improving the Policy on On-grid Prices for Wind Power Generation, as divided as Class I resource region, in most part of Inner Mongolia, including Duolun, the on-grid price for wind power projects approved since 20 July 2009 is RMB0.51/kWh (VAT included). Since the on-grid price for onshore wind power are determined based on (i) the year in which a wind farm is approved by the relevant government authorities or has accomplished grid connection and (ii) the applicable policies in force when a wind farm is developed, the on-grid price of RMB0.51/kWH applicable to our Duolun Wind farm since obtaining the on-grid price approval in 2014 is not affected by the price adjustments stipulated in subsequent policies promulgated by the relevant government authorities in the PRC.

During the Track Record Period, our revenue from the generation of electricity from wind power mainly comprises: (1) benchmark on-grid income for our net power generated sold to the Local Power Grid Company as measured by the grid meter (與電網公司結算的上網電量) which would be settled under benchmark on-grid price for coal-fired power; (2) income from electricity sold and transacted through the multilateral transaction platform of the local power exchange centre under the Local Power Grid Company at the unit price of electricity joining multilateral transactions; and (3) renewable energy tariff premium granted by the PRC Government. Please refer to "Financial Information — Description of selected items in the consolidated statements of profit or loss — Wind power generation" for further details on the breakdown of the revenue of our wind power generation business.

Regarding the renewable energy tariff premium granted by the PRC Government mentioned above, our Duolun Wind Farm is entitled to government subsidies, which is not subject to any expiry date under the current PRC laws and regulations according to the PRC Legal Advisers. Pursuant to the Policy on On-grid Prices for Wind Power Generation (關於完善風力發電上網電價政策的通知), the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) and the Administrative Measures for Tariff Premium Funds for Renewable Energy (可再生能源電價附加資金管理辦法), the government of Inner Mongolia subsidises the local wind power projects from certain supplementary on-grid tariffs, to compensate for the premium of the benchmark on-grid tariff for wind power that we are entitled to, namely the price difference between the on-grid price for wind power and the benchmark on-grid price for coal-fired power. Please see "Regulatory overview — Regulations related to electronic power — Regulations related to pricing" for further details on the relevant policy. For FY2017, FY2018, FY2019 and 4M2020, the total amount of tariff premium in cash and cash equivalent that we have received from the PRC Government for our wind power project were nil, RMB7.9 million, RMB15.5 million and RMB20.3 million, respectively. The total amount of financial subsidies that we have received from the PRC Government for our wind power project has increased during the Track Record Period which is due to the gradual settlement of the renewable energy tariff premiums by the government of Inner Mongolia to us through the Local Power Grid Company. For details, please refer to "Financial information — Discussion of selected consolidated statements of financial position items — Trade and other receivables — Trade and bills receivables, net from wind power generation".

The grid connection of the distributed wind farm in Lingqiu County in Datong of Shanxi Province is expected to be accomplished in September 2021. In relation to the distributed wind farm in Yungang District in Datong of Shanxi Province, its approval has not yet been obtained as at the Latest Practicable Date. For further details, please refer to "Business strategies — Diversification of our customer base — B. Wind power generation business" in this prospectus. The expected on-grid prices for wind power for the Lingqiu County and Yungang District distributed wind farms are RMB0.52/kWh and RMB0.47/kWh (assuming that the approval and grid connection of the latter can be achieved before the year ending 2021 and based on the applicable on-grid price and government policies in 2020 as at the Latest Practicable Date), respectively, and both are entitled to the aforesaid relevant government subsidies which are not subject to any expiry date since they are not expected to conduct market-oriented transactions (i.e. direct market transactions with end-users of electricity rather than grid companies) and are expected to transact directly with grid companies instead.

In relation to our wind energy related consultancy services, our services are priced based on factors such as the nature of the wind power project, size of the investment in the wind power project and the complexity and technicality of the wind power project.

Credit control policy

In relation to our wind power generation, we receive monthly payments from the Local Power Grid Company on a monthly basis based on the amount of electricity admitted into its power grid in the preceding month, except for the renewable energy tariff premium (可再生能源電價附加) which will be paid to us once the Local Power Grid Company receives them from the Inner Mongolia Finance Department upon nationwide allocations by the MOF, which is generally within one month of such nationwide allocations.

We also grant credit period to certain customers. The credit term must be approved by both of our sales and finance departments before the credit terms were granted. Factors to be taken into account for granting such credit terms include, among others, the size, credit worthiness, business relationship as well as potential business opportunities with our customers. During the Track Record Period, we have generally granted credit terms from 30 to 90 days credit period to certain customers, in particular for those customers who we would like to build up long-term business relationships with. The factors which we consider include, among others, the length of relationship and historical credit record of our customers. Our average trade and bills receivables turnover days are 293 days, 245 days, 218 days and 328 days for each of FY2017, FY2018, FY2019 and 4M2020, respectively.

We assess impairment of our accounts receivables based on our analysis of collectability and aging status of the receivables from time to time on a case-by-case basis. In determining whether impairment is required, we take into account the aging and recoverability of the accounts receivables. During the three years ended FY2019, our Group recognised provision for impairment of trade receivables, in accordance with provisional matrix, amounted to RMB0.3 million, RMB0.4 million and RMB0.1 million, respectively. During 4M2020, our Group recorded reversal of loss allowance of trade and other receivables of RMB0.3 million.

Sales recognition, product return and warranty

We recognise our sales upon delivery of our products. The products can only be returned in cases of defect caused by us. For our wind power generation business, revenue is recognised upon transmission of electricity to the Local Power Grid Company. For rendering of wind farm maintenance, upgrade and modification and wind energy related consultancy services, revenue is recognised when the related services are rendered.

We will liaise with our customers for any alleged quality issue with our products. All of our finished products will be fully inspected and tested by our quality control department stationed at our production plant before delivery to our customers. Some of our customers may also send personnel to conduct product testing on site. In the event that our customers raise any quality issues on our products or request for product return, we will arrange for the repair or replacement of the relevant products if (i) such products are defective or have quality issues; and (ii) the request was made in accordance with the relevant agreements with our customers. If the product defect is caused by particular components or parts procured from our suppliers, we may require certain supplier to repair or replace the relevant components or parts under certain circumstances pursuant to the terms of the relevant supply agreements.

Prior to the end of 2019, we generally did not offer warranty for our products. We currently provide warranty of our pitch control systems for up to six years upon signing various framework agreements with our customers. Upon the incorporation of the warranty clauses, we assess whether any relevant provision would need to be made annually with reference to historical costs incurred relating to carrying out the relevant warranty services.

During the Track Record Period and up to the Latest Practicable Date, (i) we have no material dispute arising from or in connection with the quality of our products; and (ii) there has been no material sales return of our products. Our Directors consider that the quality of our products are generally stable and no provision for product return had been made during the Track Record Period.

Taking into account that we did not incur material costs resulting from repairing of defective products and were not aware of any request from our customers requiring repairs of our pitch control systems offered that may incur material costs during the Track Record Period and up to the Latest Practicable Date, we had not made any relevant provision during the Track Record Period and do not expect there would be any material provisions for warranties to be made for the year ending 31 December 2020. Further taking into account that we do not require any additional manpower for any repair works to be carried out, if needed, we also do not expect such warranty period we offer would have any material adverse impact on our business operation or financial position as a whole.

Seasonality

Our pitch control system related business and wind power generation business are subject to seasonality. Given weather condition in winter is generally not ideal for installation of wind turbine, our customers who are manufacturers of wind turbines generally place orders for pitch control systems to be delivered during May to October. Hence, our peak season for pitch control systems lies in May to October, whereas low season lie in November to February. For our wind farm operations, our revenue has experienced seasonal fluctuations as our wind farms usually reach peak electricity output from October to March, and lower electricity output from July to September.

Agreements relating to sales

We may enter into framework agreements with our customers subject to negotiations with our customers. The price of our products and/or solutions offering are determined by sales agreement on an annual basis and sales are confirmed by purchase orders from time to time. During the Track Record Period, we entered into legally binding framework agreements with Jiangyin Envision, Shanghai Electric and the Local Power Grid Company.

Set out below are the main provisions contained in the framework agreement dated 3 December 2019 entered into by our Jiangyin Hongyuan with Jiangyin Envision:

Agreement duration	10 years from 1 November 2019.
Main provisions	We provide pitch control systems to Jiangyin Envision.
Price	The price will be determined through negotiation by both parties with reference to the previous price and the relevant fluctuation in costs.
Warranty	We shall be responsible for any defect or malfunction of the pitch control system we supply for a five-year warranty period from date of acceptance check.
Payment terms	We require full payment within 60 days after the goods are delivered and pass the acceptance check or Jiangyin Envision receive the valid invoice from us, whichever is later.

Minimum purchase quantity	Jiangyin Envision agrees to purchase not less that 1,500, 1,700 and 1,900 sets of pitch control systems for each of the three years ending 31 December 2022, respectively. The targeted purchase quantities for the remaining term of the framework agreement shall be determined through written agreement by both parties in the second half of 2022. The targeted purchase quantities under the binding ten-year framework agreement with Jiangyin Envision is subject to the business development needs of Envision Group and subject to Envision Group's approval of the terms and conditions and services of our products.
Product standards and liabilities	The products shall be consistent and comply with the relevant quality standards, specifications and exterior design requirements.
Termination clause	Within the 10-years period, the framework agreement may be terminated by (i) either party serving six-months prior written notice to the other party; and (ii) either party in the event that the other party seriously breach the contract and fail to rectify within a certain period. Upon the expiry of the 10-years period, the framework agreement may be automatically renewed without any of the aforesaid situations.

Upon arm's length negotiation on the above long term framework agreement between the parties, save as the targeted purchase quantities and the five-year warranty clause, there has been no change of other material terms for arrangements with Envision Group during the Track Record Period and up to the Latest Practicable Date. We do not expect there would be material adverse impact on the Group for offering such warranty period. For details, please refer to "Business — Sales and our customers — Sales recognition, product return and warranty" in this prospectus.

According to the PRC Legal Advisers, given the above framework agreement is a binding contract under the laws of PRC, a non-defaulting party could claim damages from the defaulting party for breach of contract under the PRC Contract Laws.

During the Track Record Period and up to the Latest Practicable Date, (i) except for quality standards, specifications and exterior design requirements, there are no other key performance standard/ indicator imposed by Envision Group on our products, and there has been no minimum sales commitment imposed by Envision Group on our Group; and (ii) we have been in compliance with the relevant product specifications, exterior design and quality standard requirements.

Set out below are the typical terms contained in the electricity purchase agreement entered into by our Datang Gucang with the Local Power Grid Company:

Agreement duration	One year (from January to December of the relevant year).
Main provisions	We supply electricity to the Local Power Grid Company.
Price	According to the network price as approved by the NDRC for reference purpose, the prevailing price for 2019 shall be RMB510/MWh (equivalent to RMB0.51/kWh).
Warranty	We shall ensure that all the required governmental approval(s), business license and all permit(s) in relation to electricity supply have been obtained by us and remain valid.
Payment terms	We shall provide the Local Power Grid Company with VAT invoice according to balance of electricity fee confirmed by both parties before the 25th day of each month. The Local Power Grid Company shall pay us (i) the relevant electricity fee upon receipt of VAT invoice and (ii) the relevant subsidies from the Inner Mongolia government upon receipt of such subsidies via wire transfer to the designated bank account.
Minimum purchase quantities	No agreed terms on minimum purchase commitment.
Product standards and liabilities	The electricity we supply shall comply with the relevant national and industrial standards.
Maintenance	We shall ensure that all facilities, machineries and devices used for measuring the amount of electricity generated for sale are performing their respective functions properly. We shall bear the costs of the periodical inspections and checks pertaining to such maintenance unless an inspection or check as requested by the Local Power Grid Company.
Renewal clause	Both parties shall negotiate on the renewal of this agreement within two months prior to the expiry date. In the event that no agreement is made upon the expiry date, except the clauses in relation to the purchase amount forecast, this agreement shall remain effective until it is renewed.

Termination clause	The agreement shall be terminated if the following occurs: (i) either party is declared bankrupt or its business license or permit is revoked; (ii) either party is no longer able to perform its obligations under the agreement after a merger with or transfer of assets to a third party; (iii) the ancillary agreements to this agreement are terminated; (iv) we fail to sustain our supply of electricity to the Local Power Grid Company for 30 days; or (v) the Local Power Grid Company fails to sustain its reception of the electricity which we supplied for 30 days. Notice shall be given 30 days in advance to the other party prior to the termination.

Set out below are the main provisions contained in the framework agreement dated 24 May 2019 entered into by our Jiangyin Hongyuan with Shanghai Electric:

Agreement duration	Valid until 31 December 2021.
Main provisions	We provide components of pitch control systems (such as pitch drive controllers) to Shanghai Electric.
Price	The price will be determined through negotiation by both parties each year.
Warranty	We shall be responsible for solving any quality issues of the products we supply and bearing all costs incurred thereof for a 24-month warranty period from date of final acceptance check. The warranty period for any products being fixed or replaced will restart from the date of acceptance check of the fixed or replaced products.
Payment terms	We require full payment within 30 days after Shanghai Electric receives a valid invoice from us. The invoice shall be issued by us within 3 days of delivery of the products.

Minimum purchase quantities	No agreed terms on minimum purchase commitment.
Maintenance	After the warranty period, we shall (i) provide free upgrades to the system software at the request from Shanghai Electric; and (ii) replace hardware components and provide relevant services at a price not higher than the lowest price we give to any third party.
Termination clause	The framework agreement may be terminated by (i) Shanghai Electric serving 15-business day prior written notice to us; and (ii) Shanghai Electric in the event that we seriously breach the contract and fail to perform the contract or to provide an appropriate guarantee.
Renewal clause	Both parties shall negotiate on the renewal of this agreement within three months prior to the expiry date.

If no framework agreement is entered into by us with the customers, we will incorporate the relevant clauses relating to intellectual property rights and the product standards and liabilities into the sales agreements and/or purchase orders from time to time.

Marketing

Sales leads are usually generated through our marketing activities, as well as referrals from our suppliers and customers. We offer our products and services to a relatively specific and concentrated customer base and constantly strive to commence business relationships with potential customers along the value chain of the wind power industry.

In conducting our marketing activities, we actively promote our business focus on our capabilities in (i) providing high-quality and reliable technical solutions; (ii) offering comprehensive and flexible services relating to our solutions offering; and (iii) building solid and in-depth cooperative relationships with our customers.

Our marketing strategy is designed with the objective to showcase our products and solutions offering and increase our exposure in the market. To maintain our existing customer base, during the early development stage of our products, we actively engage our customers in the development process to best cater for our customers' desired technical solutions with the most suitable customisation options. Throughout subsequent development stages, we emphasise our efforts on optimising product designs with the production of prototypes and comprehensive testing, so as to ensure that our products in development are proximate with our customers' requirements. On the other hand, we participate in various large scale exhibitions such as "China Wind Power 2019" to actively promote our products and solutions offering to potential customers.

RAW MATERIALS AND SUPPLIERS

Our major suppliers include (i) manufacturers and suppliers of core components for pitch control systems such as pitch drive controllers, pitch motors, ultracapacitors and (ii) subsidiaries of the Local Power Grid Company who offer maintenance service for our electric circuit and telecommunication network with the local power grid company for our Duolun Wind Farm.

We agree with our customers on the lists of raw materials which are to be acquired from our end and from our customers' end respectively. During the Track Record Period, we were generally responsible for procuring major components including pitch drive controllers, pitch motors and auxiliary raw materials such as electric reactors and connective wires, which represent about 50% of the costs of raw materials for a full set of pitch control systems, whereas the remaining raw materials were ordered by our customers. During August to December 2019, we extended to include ultracapacitor (another core component for pitch control system, which represents about 25% to 30% of the costs of raw materials for a full set of pitch control systems) in the list of raw materials to be procured from our end for orders placed by our largest customer, which resulted in a decrease in gross profit margin by 4.4 percentage points for our pitch control systems. To further extend our tailored services to our largest customer, we may agree to source higher proportion or all raw materials from our end for orders to be placed by it. Such an arrangement may increase the procurement cost for raw materials by at least 50% for each set of pitch control system, thus increasing our average inventory level and in turn increase our inventory risk. As our credit term for payment to our supplier is generally shorter than the credit term we offered to our customers, by taking into account (i) the time period for production and delivery of our pitch control systems; (ii) the credit term for payment to our suppliers; and (iii) the actual collection time period for receivables from our customers, our Directors estimate that the additional procurement cost due to the higher proportion of raw materials to be sourced from our end may be exposed to a temporary mismatch in cash inflow and outflow of approximately 120 to 180 days, which may increase our liquidity risk. Although there may be a temporary cash flow pressure and increase in inventory level due to the increase of raw material purchases and the gross profit margin for pitch control system business may decrease, after taking into account the expected increase in selling price and gross profit, we consider the arrangement would be beneficial to our business and financial performance as a whole. Parties are in the course of negotiation of detailed terms and expect to start the relevant arrangements in the second half year of 2020.

For each of FY2017, FY2018, FY2019 and 4M2020, the cost of raw materials and components used accounted for approximately 65.9%, 82.1%, 88.4% and 86.0% of our total cost of sales, respectively.

During the Track Record Period, the raw material purchases from our largest supplier, KEB Shanghai, amounted to RMB0.4 million, RMB85.4 million, RMB119.5 million and RMB44.8 million for each of FY2017, FY2018, FY2019 and 4M2020, representing 2.0%, 98.5%, 84.5% and 85.1% of our total purchase for the corresponding periods, respectively. The purchase from our five largest suppliers amounted to RMB22.1 million, RMB86.6

million, RMB140.9 million and RMB52.2 million for each of FY2017, FY2018, FY2019 and 4M2020, representing 100.0%, 99.7%, 99.6% and 99.1% of our total purchase for the corresponding periods, respectively.

To the best information and knowledge of our Directors, save as disclosed below, none of our Directors and their respective close associates or any of the Shareholders holding more than 5% of our Company's share capital as at the Latest Practicable Date has any interest in any of our five largest suppliers during the Track Record Period.

Set out below is a table displaying the information of our top five suppliers during the Track Record Period:

FY2017

Supplier	*Note*	Raw material/Services procured from the supplier	Purchase costs	Percentage of our total purchases	Credit terms	The year of commencement of business relationship
			RMB'000	*%*		
Beijing BiTe	*(1)*	Pitch drive controller, pitch motor, electric reactor and connective wires	21,071	95.5	30 days	2015
KEB Shanghai	*(2)*	Pitch drive controller, pitch motor, electric reactor and connective wires	445	2.0	30% paid in advance and 70% paid within one month upon delivery	2017
Suppliers I	*(3)*	Communication and electric circuit networks maintenance services	425	1.9	Nil	2014 and 2017
Wuhu Senyuan	*(4)*	Wooden box and wood pallet	80	0.4	7 days	2016
Jiangyin Tongxiang	*(5)*	Electronic parts and components and protective clothing and equipment	46	0.2	Nil	2017
			22,066	100.0		

FY2018

Supplier	Note	Raw material/Services procured from the supplier	Purchase costs	Percentage of our total purchases	Credit terms	The calendar year of commencement of business relationship
			RMB'000	*%*		
KEB Shanghai	*(2)*	Pitch drive controller, pitch motor, electric reactor and connective wires	85,421	98.5	30% paid in advance and 70% paid within one month upon delivery	2017
Suppliers I	*(3)*	Communication and electric circuit networks maintenance services	473	0.5	Nil	2014 and 2017
Shanghai Yingzhen	*(6)*	Pitch motors	308	0.4	30 days	2018
Jiangyin Tongxiang	*(5)*	Electronic parts and components and protective clothing and equipment	186	0.2	Nil	2017
Wuxi Chirun	*(7)*	Capacitors and pitch control system cabinets	173	0.1	60 days	2018
			86,560	99.7		

FY2019

Supplier	Note	Raw material/Services procured from the supplier	Purchase costs	Percentage of our total purchases	Credit terms	The calendar year of commencement of business relationship
			RMB'000	*%*		
KEB Shanghai	*(2)*	Pitch drive controller, pitch motor, electric reactor and connective wires	119,529	84.5	30% paid in advance and 70% paid within one month upon delivery	2017
Supplier M	*(8)*	Ultracapacitor	12,425	8.8	Nil	2019
Supplier E	*(9)*	Lubricant	8,153	5.8	Nil	2019
Wuxi Chirun	*(7)*	Capacitors and pitch control system cabinets	425	0.3	60 days	2018
Suppliers I	*(3)*	Communication and electric circuit networks maintenance services	331	0.2	Nil	2014 and 2017
			140,863	99.6		

4M2020

Supplier	Note	Raw material/Services procured from the supplier	Purchase costs	Percentage of our total purchases	Credit terms	The calendar year of commencement of business relationship
			RMB'000	*%*		
KEB Shanghai	*(2)*	Pitch drive controller, pitch motor, electric reactor and connective wires	44,762	85.1	30 days	2017
Supplier E	*(9)*	Lubricant	6,079	11.6	Nil	2019
Supplier M	*(8)*	Ultracapacitor	964	1.8	Nil	2019
Supplier C	*(10)*	Heaters	248	0.5	90 days	2017
Wuxi Chirun	*(7)*	Capacitator and pitch control system cabinets	98	0.2	60 days	2018
			52,152	99.1		

Notes:

(1) Beijing BiTe is an enterprise established under the laws of the PRC, who is primarily engaged in technology development and consultancy and sale of lubricating oil, electronic products, desulphurisation and denitrification products, mechanical equipment and computer system services. It is a former shareholder of Beijing Nature holding 40% of the equity interest in Beijing Nature before our Jiangyin Hongyuan acquired the relevant interests in 2018.

(2) KEB Shanghai, an enterprise established under the laws of the PRC and a wholly-owned subsidiary of Brinkmann Holding GMBH, a company incorporated under the laws of Germany who is headquartered in Germany and is principally engaged in the development, sale and manufacturing of engineering systems, including pitch drive controllers and pitch motors.

(3) Suppliers I refers to two enterprises established under the laws of the PRC which are indirect wholly-owned subsidiaries of the Local Power Grid Company as at the Latest Practicable Date, and are primarily engaged in the businesses of (i) telecommunications engineering and construction, installation of electrical facilities, electrical transmission and transformation equipment and components and electrical equipment; and (ii) electrical transmission and engineering, waterproof and anti-corrosive insulation engineering, municipal public works construction and installation of electrical facilities.

(4) Wuhu Senyuan refers to Wuhu Senyuan Jinggong Packaging Co., Ltd.* (蕪湖森源精工包裝有限公司), an enterprise established under the laws of the PRC, which is primarily engaged in the sales of wood and metal pallets and paper, plastic and metal packaging products.

(5) Jiangyin Tongxiang refers to Jiangyin Tongxiang Electronics Co., Ltd.* (江陰同向電子科技有限公司), an enterprise established under the laws of the PRC, which is primarily engaged in wholesale and R&D of electrical and mechanical equipment and components and the wholesale of work and protective clothing.

(6) Shanghai Yingzhen is an enterprise established under the laws of the PRC and indirectly held by Mr. Richard Cheng as to 100% as at the Latest Practicable Date. Shanghai Yingzhen is an investment holding company holding various investments. Please refer to "Our relationship with Shanghai Yingzhen" in this section above for further details of our relationship with Shanghai Yingzhen.

(7) Wuxi Chirun refers to Wuxi Chirun Technology Co., Ltd.* (無錫馳潤科技有限公司), an enterprise established under the laws of the PRC, who is engaged in the business operations of various areas such as the R&D and manufacturing of robots, the manufacturing of photovoltaic electrical generator components, pitch motors, electronic components and medical device components.

(8) Supplier M refers to a global supplier of ultracapacitor based in San Diego, California, who focuses on supply and R&D of energy storage and power delivery products.

(9) Supplier E refers to a lubricant supplier within a multinational oil and gas corporation which is a Fortune Global 500 company in 2019, is situated in Texas, USA and listed on the New York Stock Exchange. For details on the circumstances which led to the commencement of our supply of lubricants in FY2019, please refer to "Business — Our products and services — Wind farm operation and maintenance services — Supply of consumables".

(10) Supplier C refers to an enterprise established under the laws of the PRC, who is engaged in the wholesales of electrical equipment, including pumpers, motors, valves and pneumatic components.

During the Track Record Period, we generally purchased from our suppliers through entering into sales agreements from time to time. We place purchase orders depending on our existing inventory of raw materials and components at our discretion. The prices will be determined each time an order is placed and subject to arm's length negotiation with our suppliers.

During the Track Record Period, we did not experience any interruption to the supply of our necessary raw materials and components or fail to secure sufficient quantities of irreplaceable raw materials and components that had any material adverse impact on our business operations.

Supplier Concentration

During the Track Record Period, our raw material purchases from our largest supplier, KEB Shanghai, amounted to RMB0.4 million, RMB85.4 million, RMB119.5 million and RMB44.8 million for each of FY2017, FY2018, FY2019 and 4M2020, representing 2.0%, 98.5%, 84.5% and 85.1% of our total purchases for the corresponding periods, respectively. Despite our supplier concentration, our Directors are of the view that we are capable of sustaining our business and sales in the future.

According to the F&S Report, it is an industry norm that pitch control system manufacturers in the PRC only have a limited number of suppliers for pitch drive controllers. In 2018, each of the top ten pitch control system manufacturers in the PRC either manufactured pitch drive controllers by themselves or had only up to three major pitch drive controller suppliers.

We designate KEB Shanghai as our primary supplier of pitch drive controllers and pitch motors for the following reasons:

(i) KEB Group is well-recognised as a supplier of high-quality core components with advanced technologies and concrete application capabilities;

(ii) KEB Shanghai maintains a reliable supply of raw materials and components for high-voltage pitch control systems which allows us to readily undergo procurement to develop and manufacture our pitch control systems;

(iii) a stable business relationship has been established between KEB Shanghai as further elaborated below and we share a mutual business goal of developing and enhancing the application of high-voltage pitch control system solutions in the PRC wind power market; and

(iv) throughout our strategic cooperation we have not encountered any business conflicts and substantial difficulties with KEB Shanghai.

Our relationship with KEB Group

Founded in 1972 and headquartered in Germany, KEB Group is principally engaged in the development, sale and manufacturing of engineering systems including core components of pitch control systems such as pitch drive controllers and pitch motors.

We have established business relationship with KEB Group and have been sourcing raw materials and components for the manufacturing of our pitch control systems from KEB Shanghai. For the period from early 2016 to mid-2017 during which Jiangyin Hongyuan (one of our principal subsidiaries) was a subcontractor of Shanghai Yingzhen in respect of orders for pitch control systems from Envision Group, Shanghai Yingzhen was responsible for the procurement of raw materials and components. During this period, Shanghai Yingzhen mainly procured pitch drive controllers and pitch motors from KEB Shanghai through Beijing BiTe due to a more favourable credit period offered by Beijing BiTe. Following the end of our subcontracting arrangement with Shanghai Yingzhen in mid-2017, Jiangyin Hongyuan began to procure pitch drive controllers and pitch motors from KEB Shanghai through Beijing BiTe owing to the same reason up till late 2017 where Jiangyin Hongyuan began to directly procure pitch drive controllers and pitch motors from KEB Shanghai. Starting from late 2017, due to our possession of sufficient capital and stable revenue streams and our gradual development into an enterprise with sizable operations, we have shifted our purchase from Beijing BiTe to KEB Shanghai directly.

The table below sets out (i) the volume of core components sourced directly from KEB Shanghai or indirectly from KEB Shanghai through Beijing BiTe and (ii) the volume of such core components used for producing pitch control systems during the Track Record Period:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	Purchase volume	Volume used for production	Purchase volume	Volume used for production	Purchase volume	Volume used for production	Purchase volume	Volume used for production	Purchase volume	Volume used for production
	No. of sets	*No. of sets*	*No. of sets*	*No. of sets*	*No. of sets*	*No. of sets*	*No. of sets*	*No. of sets*	*No. of sets*	*No. of sets*
Pitch drive controller	255	252	1,062	1,055	1,950	1,225	506	223	1,450	279
Pitch motor	245	252	1,099	1,055	1,429	1,225	505	223	567	279

Note: Volume used for production refers to the number of components purchased and used for producing whole sets of pitch control systems. It does not include (i) those components sourced by our customers themselves where the production of which were subcontracted to us; and (ii) those purchased for producing customised major components with software integration for our customer.

The salient terms of a typical purchase agreement with Beijing BiTe and KEB Shanghai for key components and raw materials from KEB Shanghai in FY2017 are as follows:

	Beijing BiTe	**KEB Shanghai**
Types of key components/raw materials	Pitch drive controllers, pitch motors, etc.	Pitch drive controllers, pitch motors, etc.
Payment and credit terms	The full contract amount shall be paid within 30 days after the acceptance of the equipment and the issuance of the invoice.	30% of the total contract amount shall be paid as pre-payment within 5 working days of the contract date, and the remaining 70% of the total contract amount shall be paid within 30 working days of acceptance date of the goods.
Warranty period and maintenance liability	The warranty period is 24 months from the date of delivery and acceptance of the equipment. During the warranty period, any costs of repair or replacement shall be borne by Beijing BiTe.	The warranty period is generally 24 months from the date of delivery of the equipment. During the warranty period, KEB Shanghai shall be responsible for the repair but any costs incurred for reasons other than quality issues shall be borne by us.
Termination	We are entitled to terminate the agreement if (i) Beijing BiTe delays the delivery of the equipment for more than 30 days, or (ii) the equipment supplied by Beijing BiTe has serious issues in its specification, quality or performance. Beijing BiTe is entitled to terminate the agreement if (i) we delay the payment of the full contract amount for more than 30 days, or (ii) we fail to issue a delivery notice to Beijing BiTe within the stipulated purchase period.	During the agreement period, if either party alters or terminates the contract, the party shall obtain the consent from the party and both parties shall form an agreement. If either party breaches the agreement, the defaulting party shall bear the responsibility in accordance with the stipulations in the agreement and the PRC Contract Laws.

Since the price for the key components and raw materials purchased from Beijing BiTe are generally only 4.0% higher than the same parts purchased from KEB Shanghai, our Directors are of the view that the key components and raw materials purchased from Beijing BiTe and KEB Shanghai are comparable in terms of price.

Save for (i) one of the shareholders of Beijing BiTe being the legal representative and a director of Datang Gucang; and (ii) as disclosed in this prospectus, our Directors are not aware of any other relationship (family, employment, business, financing, fund flow or otherwise) between Beijing BiTe and our Group, including their respective shareholders, subsidiaries, directors, senior management or any of their respective associates as at the Latest Practicable Date.

We further entered into a binding ten-year framework agreement with KEB Shanghai in December 2019 and as supplemented by supplemental agreement dated 24 February 2020, with major terms set out below:

Agreement duration	10 years from 1 November 2019.
Main provisions	KEB Shanghai supplies certain raw materials and components to us, including, but not limited to, pitch drive controllers, pitch motors, electric reactors and connective wire. KEB Shanghai will prioritise to supply 3,600, 3,800, 4,000 and 4,000 sets of core components for high-voltage pitch control system to us for each of the four years ending 31 December 2023, respectively, and the quantities to be supplied on prioritised basis for the remaining term of the framework agreement will be further agreed in the second half of 2023. For the avoidance of doubt, this does not constitute a minimum purchase obligation on the part of our Group.
Price	The price will be determined through negotiation by both parties with reference to the previous price and the relevant fluctuation in costs and shall comply with the generally accepted market price.

Quality standard and warranty	The quality and technology standards of the products comply with the relevant specifications provided by KEB Shanghai. KEB Shanghai agrees to provide maintenance service for any product defect due to quality issue during the warranty period (i.e. 30 months from the date of delivery) and bear the relevant cost therein. We agree to bear the relevant cost for the maintenance service provided by KEB Shanghai for any product defect due to issues other than quality issues.
Payment and credit terms	We shall pay the full contract amount to KEB Shanghai within 30 days after the receipt of the core components and the invoice.
Transportation	The transportation fees and taxes are included in the purchase order price of the core components.
Confidentiality	Both parties agree not to disclose the content of this agreement to any third party without consent of the other party. Either party can disclose the content of this agreement in the event that (i) it is required by relevant government authority or relevant laws and regulations; (ii) it is required by any security regulatory authority or professional parties during the preparation process of listing of the shares of either party or its affiliate.
Breach	If a breach of the agreement by either party results in any economic loss to the other party, the party in breach shall compensate a sum, which is determined by a third party agreed upon by both parties, for such losses.

Notwithstanding the above, KEB Shanghai may not be able to meet the targeted purchase quantities according to the framework agreement in the event that there is a material disruption to the production or business operation of KEB Shanghai, such as the outbreak of diseases, epidemics or pandemics, or KEB Shanghai is obliged to prioritise the purchase orders from other customers. For the risks in relation to the supply from KEB Group, please see "Risk Factors — We procure a significant portion of our raw materials from our largest supplier, KEB Shanghai. Any adverse change in business relationship with KEB Group could materially and adversely affect our business, financial condition and results of operations." and "Risk Factors — Our business and results of operations may be severely affected due to the outbreak of diseases, epidemics or pandemics." in this prospectus.

According to the PRC Legal Advisers, (i) there are no express restrictions on uses of intellectual property rights imposed by KEB Group in the framework agreement entered into by Jiangyin Hongyuan and KEB Shanghai; and (ii) the Guidelines for the Identification of Patent Infringement (Trial) (專利侵權行為認定指南(試行)) issued by the State Intellectual Property Office in May 2016 specified that patent infringements include, but are not limited to, (a) making or forming a product for business purpose without patentee's authorisation with the same or equivalent technical characteristics as all the technical characteristics recorded in the authorised patent; and (b) integrating a product with patent infringement as a component to manufacture another product or selling such integrated products. Since (i) our Group is involved only in the development of the integration technique and software for backup pitch drive controllers supplied by Supplier S, and (ii) KEB Shanghai is only involved in the supply of the hardware of pitch drive controllers to our Group, the technical characteristics of the integration technique and software developed by our Group are totally different to that of the products supplied by KEB Shanghai. Furthermore, the pitch drive controllers supplied by Supplier S has commenced customer testing and has been supplied to some of Supplier S's customers since March 2020 and, according to the best information and knowledge of our Directors upon making reasonable enquiries, Supplier S has not received any claims in relation to patent infringement from KEB Group as at the Latest Practicable Date. Therefore, our Directors are of the view that there is no potential infringement of KEB Group's intellectual property rights or violation of any of the agreements entered into with KEB Group due to the difference in nature between (a) our Group's integration technique and software and (b) the raw materials and components supplied by KEB Shanghai.

Sustainability of our business in view of our reliance on KEB Group

(1) Mutually beneficial and complementary relationship

Since 2016, KEB Group has capitalised on our R&D function in pitch control systems, networking in the wind power industry in the PRC and market positioning in the wind power industry in order to enter into and consolidate its market positioning in the wind turbine manufacturing industry in the PRC. Our Group was responsible for (i) introducing the first pitch drive controllers and pitch motors of KEB Group into the wind power industry in the PRC in 2016; and (ii) supplying the first pitch control systems in the PRC with pitch drive controllers and pitch motors of KEB Group in April 2016.

During the initial cooperation period and throughout subsequent business dealings with KEB Shanghai, we were able to collaboratively test pitch control systems to maximise their technical potential and enhance their functionality and quality. We actively engaged in concept development, production of prototypes and product testing to open up a diverse range of customisation options and technologies suited for our pitch control systems.

Through our collaboration with KEB Shanghai, both KEB Shanghai and us constantly accrue improved industry knowledge, experience and technical know-how to further our business objectives. Our in-depth experience and strong manufacturing capabilities are also complementary with that of KEB Group, allowing us to advance towards mutual development goals to reinforce our market positions in the PRC wind power market.

To the best information and knowledge of our Directors, (i) we ranked first among all of KEB Shanghai's customers in terms of value and quantity of raw materials and key components of pitch control systems in FY2018, FY2019 and 4M2020, with our purchase amount constituted 39.3%, 53.0% and 51.0% of KEB Shanghai's total sales of raw materials and key components of pitch control systems for the corresponding periods, respectively; (ii) KEB Shanghai views our Group as a strategic partner and considers our business relationship to be mutually beneficial and complementary in expanding our market shares in the wind power industry supply chain in the PRC; (iii) KEB Shanghai and we have a positive business track record and there has not been any disruptions in the business between the parties during the Track Record Period; and (iv) KEB Shanghai expects to maintain and deepen the business relationship with us.

Based on the above, our Directors consider that our relationship with KEB Group to be mutually beneficial and complementary and that we are capable of maintaining our revenue in the future despite our reliance.

In consideration that (i) the business relationship between KEB Group and us is mutually beneficial and complementary as particularised above; and (ii) we had successfully entered into a ten-years framework cooperation agreement with KEB Shanghai, our Directors consider that it is unlikely, barring any significant and unforeseeable changes in circumstances in the future, that KEB Group will terminate its business relationship with us.

(2) Availability of alternative suppliers

During the Track Record Period, we sourced pitch drive controllers and pitch motors from KEB Group. According to the F&S Report, there are a number of alternative pitch drive controller and pitch motor suppliers for the manufacturing of pitch control systems in the PRC, including (but not limited to) (i) SSB Wind Energy Technology (Qingdao) Co., Ltd., Lenze Vertrieb GmbH, KEBA Industrial Automation Germany GmbH, DEIF Wind Power Technology, OAT GmbH, Shenzhen Huichuan Technology Co., Ltd. and Guilin Stars Science and Technology CO., LTD. who are pitch drive controller suppliers and; (ii) Wuxi Butai Electric Motor Corporation Ltd (無錫阜泰電機有限公司), Jiangxi Special Electric Motor Corporation Ltd (江西特種電機股份有限公司), Liyang Hongda Electric Motor Corporation Ltd (溧陽市宏達電機有限公司), Asea Brown Boveri Ltd and Phoenix Contact GmbH & Co. KG who are pitch motor suppliers. These suppliers include both multinational corporations headquartered in Germany, Denmark, Switzerland and PRC based manufacturers.

Although we consider that it is unlikely that KEB Group will terminate their business relationship with us for the reasons set out above, we have already begun seeking for alternative suppliers as backup to KEB Shanghai and have undergone preliminary discussions with such suppliers for future business opportunities. Such alternative suppliers include (i) Supplier S, an Independent Third Party and a national high-tech enterprise established under the laws of the PRC which is specialised in the R&D and production of pitch drive controllers, frequency conversion control products, energy storage products and visual inspection system. To the best information and knowledge of our Directors and upon making reasonable enquiries, Supplier S has an annual production capacity of 10,800 units of pitch drive controllers with an utilisation rate ranging from about 75% to 80% during the Track Record Period; and (ii) Shanghai FinePower Technology Co., Ltd. (上海翡葉動力科技有限公司) ("**Shanghai FinePower**"), an enterprise established under the laws of the PRC primarily engaged in the development, consultancy, transfer and related services of energy technology which is also a supplier of pitch motors in the PRC with a current annual production capacity of 28,000 units and utilisation rate of about 60% in 2019.

Furthermore, since November 2019, we have begun placing purchase orders for pitch motors which are comparable in terms of price and specifications with those provided by KEB Group with Shanghai FinePower. In March 2020, we have also entered into a strategic cooperative agreement with Supplier S, under which Supplier S will (i) provide its pitch drive controllers to us for R&D, prototype manufacturing and testing for producing pitch control systems; (ii) become our supplier for pitch drive controllers; and (iii) prioritise its supply of pitch drive controllers to us. As at the Latest Practicable Date, we have obtained quotations from Supplier S in relation to their pitch drive controllers, which are comparable in terms of price and specifications with those provided by KEB Shanghai. In the event that KEB Shanghai is not able to provide us the relevant raw materials and components, we estimate that we will be able to enter into procurement arrangements for comparable pitch drive controllers and pitch motors currently supplied by KEB Shanghai with alternative suppliers to meet our customers' needs.

Taking into account of (i) the annual production capacity and the utilisation rate of Supplier S and Shanghai FinePower; and (ii) Supplier S's agreement to prioritise our purchase orders in accordance with the strategic cooperative agreement, and to the best information and knowledge of our Directors upon reasonable enquiries, our Directors believe that even in the unlikely event that KEB Shanghai terminates business relationship with us, the relevant alternative suppliers would have sufficient production capacity and if needed expand the same in order to satisfy our demand for the relevant core components.

In addition, we are currently conducting R&D on the technology and methodology required to integrate pitch drive controllers and pitch motors provided by alternative suppliers into our pitch control system designs and the software for pitch drive controllers. We seek to ensure that these pitch drive controllers and pitch motors are compatible with our product offerings, so that we are able to offer pitch control systems of customised designs and with tailored specifications upon their integration.

In January 2019, we have commenced R&D on the integration technique and software for pitch drive controllers supplied by Supplier S, which is a backup with comparable specifications to the pitch drive controller as compared to the pitch drive controller currently procured from KEB Shanghai, to our high-voltage pitch control system solutions. The development of the relevant technique and software for the pitch drive controller is currently in progress and it is estimated that the developed model can be introduced into our pitch control system designs by December 2020. We have engaged an independent professional testing centre to test the functionality of our newly developed high-voltage pitch control system installed with alternative pitch drive controller and the overall compatibility of the pitch control system and found the system to be feasible. Upon the introduction of the pitch drive controller together with our integration technique and software into our pitch control system designs, it is expected that our costs of procuring pitch drive controllers may be reduced by approximately 20% and the range of customisation options of our customised designs would be broadened. As at the Latest Practicable Date, Supplier S has commenced the testing of its pitch drive controllers with wind turbine manufacturers in the PRC. After the R&D on the new solution is completed, we would introduce our new model of pitch control system with alternative pitch drive controllers supplied by Supplier S to both existing and potential customers. To the best knowledge of our Directors and upon making reasonable enquiries, (i) Envision Group and two other major customers had confirmed that they would be open to consider any alternative suppliers recommended by us including those from the PRC; and (ii) Zhejiang Windey had expressed strong interest in pitch control system with pitch drive controllers supplied by Supplier S and is considering further discussion and cooperation with us in the second half of 2020. Given pitch control systems with KEB Group-sourced raw materials were introduced by our Controlling Shareholders and us to Envision Group and other customers, and with the expected lower costs for the new solutions, we believe our customers would consider our solutions put forward as appropriate. Further, the new solution will facilitate us in pitching new customers who would prefer to consider lower cost pitch control systems.

According to the F&S Report, there are relatively higher numbers of qualified suppliers of comparable pitch motors in the PRC compared to qualified suppliers of pitch drive controllers. As such, together with less tailored design and the relative ease in integrating different pitch motors compared to pitch drive controllers into our pitch control systems, our Directors are of the view that pitch motors are readily available for the production of our customised high-voltage pitch control systems in order to satisfy our customers' demands.

Based on the above, we believe we are able to find alternative suppliers that can provide comparable raw materials and components that meet the product requirements imposed by Envision Group and our customers and at prices comparable to that offered by KEB Group. Our Directors are also of the view that there is a realistic expectation that the level of our reliance on KEB Group will gradually decline over the coming years.

Notwithstanding of the above, our Directors consider that we will continue to procure our key raw materials mainly from KEB Shanghai as we had entered into a ten-years framework agreement and KEB Shanghai is a reputable and reliable supplier that we have not encountered any major procurement problem with. For risks associated with our supplier concentration, see "Risk Factors — Risks relating to our business — We procure a significant portion of our raw materials from our largest supplier, KEB Shanghai. Any adverse change in business relationship with KEB Group could materially and adversely affect our business, financial condition and results of operations" in this prospectus.

Overlapping customers and suppliers

During the Track Record Period, two of our customers, namely the Local Power Grid Company (together with its subsidiaries Suppliers I) and Shanghai Yingzhen, were also our suppliers.

We supplied electricity generated from our Duolun Wind Farm during the Track Record Period to the Local Power Grid Company and charged on-grid tariff according to a fixed rate regime promulgated by the PRC Government. For FY2017, FY2018, FY2019 and 4M2020, we generated revenues of RMB19.3 million, RMB21.4 million, RMB20.2 million and RMB5.8 million, respectively, from the sales of electricity generated to the Local Power Grid Company, representing 33.6%, 14.8%, 9.1% and 11.3% of our total revenue during the corresponding periods. The gross profit attributable to the Local Power Grid Company amounted to RMB11.2 million, RMB13.2 million, RMB12.1 million and RMB3.3 million for each of FY2017, FY2018, FY2019 and 4M2020, respectively. The gross profit margin attributable to the Local Power Grid Company amounted to 57.9%, 61.5%, 59.6% and 56.8% for each of FY2017, FY2018, FY2019 and 4M2020, respectively.

In order to procure the communication and electric circuit networks maintenance services necessary for the operation of our Duolun Wind Farm, we have engaged Suppliers I during the Track Record Period, which are two indirectly wholly-owned subsidiaries of the Local Power Grid Company as at the Latest Practicable Date. Such purchases amounted to RMB0.4 million, RMB0.5 million, RMB0.3 million and nil for each of FY2017, FY2018, FY2019 and 4M2020, respectively, representing 1.9%, 0.5%, 0.2% and nil of our total purchase during the corresponding periods. Our Directors confirmed that all of our sales to the Local Power Grid Company and purchases from Suppliers I were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction and did not involve the same products/services.

According to the F&S Report, it is common practice for wind farm operators in the PRC to engage service providers which are associated to local power grid companies that are customers of such wind farm operators for the ancillary services necessary for its wind farm operations due to (i) the familiarity of the service providers in the infrastructure of the power grids owned by the local power grid companies; and (ii) the lack of comparable qualified service providers in the proximity of wind farms with the necessary technical and safety qualifications to provide such services.

To the best of our Directors' knowledge and belief, the Local Power Grid Company and Suppliers I are our Independent Third Parties and none of them have any past or present relationships with our Group, Shareholders, Directors, senior management, employees or their respective associates during the Track Record Period and up to the Latest Practicable Date.

For further details on the overlapping customer and supplier relationship with Shanghai Yingzhen, please refer to "Sales and our customers — Our relationship with Shanghai Yingzhen" above in this section.

Our Directors confirmed that all of our sales to and purchases from the Local Power Grid Company, Suppliers I and Shanghai Yingzhen were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

INVENTORY CONTROL

Our inventory primarily consists of raw materials and components which are used for the assembling of high-voltage pitch control systems and customised core components for pitch control systems, finished products and goods in transit.

Upon receiving order confirmation from our customers, we typically procure major raw materials, such as pitch drive controller, pitch motors and ultracapacitors two months before the finished products are due for delivery and commence production. For certain raw materials of lower value and commonly used in our products, such as electric cables and connective wires, we usually maintain a certain level of inventory based on our projection of future demand, which is primarily based on our sales forecast and confirmed orders from our customers. We usually require our customers to provide us with a rolling forecast specifying their estimated demand for our products annually, which enables us to better plan our purchasing and production activities.

We have internal control policies for managing our warehouses and inventory level. We have standard procedures for the registration and retrieval of inventories to ensure the traceability and quality of our raw materials, components and finished products. We perform stocktaking on a monthly basis to verify the record of inventory level, and use both information technology system and physical records, which keep a moving record of our inventory levels. Our warehouse manager is responsible for communicating with our procurement, quality control and production department to follow up on the sufficiency and quality of our inventory.

For each of FY2017, FY2018, FY2019 and 4M2020, we recorded inventory in the amount of RMB2.7 million, RMB6.3 million, RMB9.7 million and RMB17.3 million, respectively, of which 100.0%, 100.0%, 77.5% and 58.5% were attributable to raw materials in the corresponding periods. We consider that our inventory level is generally stable and adequate to meet our production demands. During the Track Record Period, our average turnover days of inventory were 16 days, 16 days, 19 days and 63 days, respectively. Our average turnover days of inventories remained stable at 16 days for FY2017 and FY2018 and increased to 19 days for FY2019, mainly due to goods-in-transit of RMB2.1 million being shipped after the end of FY2019, which has not yet arrived to the customers. Our average turnover days of inventories increased to 63 days for 4M2020, primarily because of increase in raw materials and finished goods that we have stocked up, which was in line with the seasonality of pitch control system related business.

The inventory control process involves the collaboration of our senior management and multiple departments which include the sales and marketing, finance, procurement, quality control and production teams. Our senior management and other relevant department heads review and evaluate the information on inventory, which is submitted by warehouse keepers and financial personnel, and their information on inventory aging and expected usability form the basis of our inventory provision scheme. Our senior management and other relevant department heads also review and approve the proposed inventory provision before it is implemented. Where the proposed amount of provision is higher than a specific amount, additional approval from our chief executive officer is required. During the Track Record Period, we have not made any provisions on inventory impairment due to our inventories becoming obsolete or damaged. For details, see "Financial information — Discussion of selected consolidated statements of financial position items — Inventories" in this prospectus.

QUALITY CONTROL

We have adopted a stringent quality control system over our production process to maintain the effectiveness of our business operation and the quality of our products and services. Our quality control system has complied with the standard of GB/T 19001-2016/ISO9001:2015 Quality Management Systems Requirements and has been awarded a certificate for the design and manufacture of pitch control systems, on 8 September 2017, and a renewed certificate for the R&D and manufacture of pitch control system and the sale of industry lubricating oil, on 10 September 2020, which remains valid until 9 September 2023.

Our quality control team is in charge of the overall implementation of the relevant quality control measures in the respective aspects at the various production processes and the finished products and is responsible of identifying any quality control issues and providing solution to our procurement team and production team in order to address such issues. As at the Latest Practicable Date, our quality control team consists of seven employees, which include one quality control manager, one quality control supervisor and five quality control inspectors, responsible for quality control in various aspects, including incoming raw materials quality control, semi-finished product quality control, wiring quality control and inspection tests on final products.

Quality control on the incoming raw materials

We are responsible for procuring raw materials which are necessary for fulfilling the product specification as requested by and agreed with our customer. Major raw materials include, for example, pitch drive controllers, pitch motors and ultracapacitors. To enhance our control over the quality of raw materials, we mainly purchase our major raw material (i.e. pitch drive controllers and pitch motors) from our supplier namely KEB Shanghai, which is selected based on our multi-dimensional selection criteria lied down by our procurement department. For details of our reasons for designating KEB Shanghai as our primary supplier of pitch drive controllers and pitch motors, please see "Raw materials and suppliers — Supplier concentration" above in this section.

In respect of evaluating the quality of raw materials, our quality control staff conducts inspection on the raw materials. This is to ensure that the quality of the incoming raw materials are in line with our internal guidelines, and also, conform to the specification set out in our design and schematic requirements of our customers.

If we detect any sub-standard or defective raw materials during the assembling process, we will liaise with our suppliers to look into the matter and require replacements, if needed. Our Directors confirm that due to our strict policy in selection of suppliers and inspection of raw materials, we had not experienced significant return of raw materials and components which could not pass our incoming raw material inspection to the suppliers for during the Track Record Period.

Quality control on the assembling process

Our quality control personnel monitor the quality of semi-finished products throughout the assembling process at our production plant in Jiangyin City, Jiangsu Province. Our products are all tested at various major stages in their assembling process in order to ensure their qualities can meet the required standards and specifications as requested by our customers.

In respect of the assembling process, we use advanced quality control machinery and equipment, including torque testing benches (扭矩對拖試驗檯) and the automatic conversion withstanding tester (自動耐壓轉換控制儀), to ensure the quality of our products meet the standards and requirements of our internal guidelines while satisfying customer's specification. Also, visual inspection and overall sample testing are conducted by our quality control personnel before the final quality control procedure for finished products.

Quality control on finished products

After the assembling process, the finished products are transferred to our final quality control point before they are packaged and stored in our warehouses. In the final quality control procedure, our quality control personnel conduct full testing and inspection on the physical appearance, functionality and level of adherence to the specification of our customers in accordance with the acceptable quality limit of our quality control department. The quality data of the finished products is recorded by our quality control personnel and the approved finished products are sent to packaging and stored in the warehouse before delivery.

For the products which fail to meet the requisite quality standards, our quality control personnel conduct further product analysis on them. After identifying the issues of non-compliance in quality, additional work and measures are then carried out to correct and enhance the products in default. Our quality control personnel conduct new quality assurance testing and inspection to ensure the enhancement of the quality of the finished products satisfy our acceptable quality limit and customers' specification. Our customer may sometimes arrange their quality control personnel to perform on-site quality checks on the finished products.

Our quality control team will continue to adhere to our quality control steps to ensure our due delivery of quality products.

RESEARCH AND DEVELOPMENT

Our R&D function covers various aspects of pitch control systems, such as the overall design and functionality of pitch control systems, hardware and software development, enhancement of the efficiency of the production process, hardware and software designs and streamlining of the production line. In relation to R&D projects of pitch control systems, our technical and R&D team generally conducts calculations and testing on the installed capacity of wind turbines to determine the optimal selection and combination of core components of pitch control systems, designs customised integration design blueprint and the cabinet of pitch control systems; and conducts quality control testing on prototypes and end-results of pitch control systems in order to ensure that the end-results of our R&D projects are consistent with our customer's requirements. During the Track Record Period, the total R&D expenses amounted to RMB2.1 million, RMB5.4 million, RMB5.4 million and RMB2.3 million for each of FY2017, FY2018, FY2019 and 4M2020, respectively.

Our Technical and R&D team

Stationed in our production plant in Jiangyin City, Jiangsu Province, we have an established and dedicated technical and R&D team, consisting of seven employees and led by Mr. Zhao Tongliang, who has (i) over seven years of experience in the technical and R&D of pitch control systems; (ii) worked in the wind power solutions industry since September 2012; and (iii) participated in the R&D of various products and services which include, amongst others, our early-stage high-voltage pitch control system with its pitch drive controller procured from KEB Shanghai. Our technical and R&D team includes a R&D director, two R&D project managers and experienced engineers.

The majority of our technical and R&D team members have received a bachelor degree in electrical or mechanical engineering. We value the dedication of our technical and R&D team to R&D in wind power technology and innovation in relation to the design and functionality of pitch control systems.

Material technology and technical know-how

The design and development of our pitch control systems are fundamentally based upon a key patent that we successfully registered in 2017 (registration number: ZL201620771584.7). The patent relates to an integrated pitch drive control mechanism which serves to integrate conventional control units in pitch control systems into one single control unit. The integrated pitch drive control mechanism brings about the following advantages: (i) the integration into one single control unit allows for improved compartmentalisation; (ii) the number of connective wires required to assemble our pitch control systems is decreased; and (iii) the integrated pitch drive control mechanism is able to synchronise pitch control of all turbine blades at optimal efficiency.

Capitalising on the aforementioned advantages brought about by our advanced pitch control system design, we are able to design various models of pitch control systems of wind turbines suitable for different power levels from 2.X MW to 8.0 MW and above. We are also able to design and tailor-make pitch control systems with a wide range of functions to satisfy our customers' needs, such as over-speed prevention, vibration reduction, offshore capabilities, low wind speed capabilities, malfunction diagnosis, condition monitoring, lightning protection, safety restoration, capacitance management, turbine blade angle adjustment, speed control monitoring and braking system.

Leveraging our high-voltage integrated pitch control system solution which is based on two of our registered patents, we are capable of installing various additional components such as pitch controllers, drivers and filters within our pitch control systems, as well as minimising the size of the pitch control system cabinet. In order to ensure the quality and sustainable use of our products, we are also devoted to R&D on other aspects of pitch control systems, including but not limited to (i) the increase of their rated power levels to 12.0 MW for offshore wind power projects, which have a large potential for development according to the F&S Report since (a) offshore wind power projects will be emphasised equally with onshore wind power projects according to the China Wind Energy Roadmap 2050 (《中國風電發展路線圖 2050》) issued by the NDRC and IEA; and (b) the volume of wind power resources available for development in coastal areas where water depth is within 50 meters in the PRC amounts to 500 GW (as opposed to 4.4 GW of the accumulated offshore wind power installed capacity by 2018); (ii) upgrades and the lowering of cost of production of ultracapacitors to facilitate after-sales modification and maintenance services; and (iii) the production process and design of the cabinet for the pitch control system, which includes optimising the layout of components and avoidance of electromagnetic compatibility interference.

The functionality of pitch control systems also depends on their software. We are devoted to developing and updating software which is designed for facilitating pitch control and adjustment of turbine rotational speed when wind velocity changes, as well as for minimising the potential damages caused to pitch control systems from exceedingly high-speed winds. We also develop simulation master control system software for function testing for our pitch control systems.

We have also conducted R&D, through our own initiative and/or upon our customers' request, on production line management, testing platform, data connection platform, device for energy recycling in pitch control system cabinets, in order to maximise our future growth and expansion and to remain competitive in responding promptly to the changing and diverse needs of our customers in the ever-evolving wind power industry.

We intend to continue to focus on improving and nurturing our R&D function in relation to pitch control systems and the wind power industry in general to increase our market share in the wind power market.

Highlights of key technologies

Equipped with our existing developed technologies and technical know-how, we strive to continually develop advanced technologies which are able to improve the safety, compatibility and efficiency of our product offerings. Set out below are highlights of our major R&D activities during the Track Record Period and up to the Latest Practicable Date:

Development projects	Technological highlights	Time of introduction into our product offerings
Patent for high-voltage pitch control system* (高壓變槳系統專利)	The patent relates to an integrated pitch drive control mechanism which serves to integrate conventional control units in pitch control systems into one single control unit. The integrated pitch drive control mechanism brings about the following advantages: (i) the integration into one single control unit allows for improved compartmentalisation; (ii) the number of connective wires required to assemble our pitch control systems is decreased; and (iii) the integrated pitch drive control mechanism is able to synchronise pitch control of all turbine blades at optimal efficiency.	April 2016
Low wind speed pitch control products* (低風速變槳產品)	Due to the comparative advantage of high-voltage pitch control systems in generating electricity in low wind speed areas compared to their low-voltage counterparts and the PRC Government's support of wind power development in such areas according to the F&S Report, we have developed pitch control systems which have low wind speed capabilities and can function in areas which do not have optimal wind speed levels.	October 2019

Development projects	Technological highlights	Time of introduction into our product offerings
Pitch control system with enhanced safety mechanisms* (功能安全變槳系統)	We have developed a pitch control system design which incorporates an additional safety mechanism. The mechanism automatically monitors the operation of a pitch control system and enables a safety mode to ensure that turbine blades re-adjust to safety positions when needed. The pitch control system design was developed in accordance with (i) "Wind turbine generator systems — Design requirement (GB/T 18451.1-2012)"《風力發電機組設計要求》; and (ii) "Technical specification for wind turbine generator system pitch system NB/T31018-011"《風力發電機組電動變槳控制系統技術規範》.	Completed R&D in July 2020 and ready to be introduced to our products

Set out below are highlights of the key technologies which are under development:

Development projects	Technological highlights	Estimated time of introduction into our current product offerings
Pitch drive controller integration technique and software* (驅動器國產化)	Leveraging our manufacturing track record and experience in developing pitch control systems, we are developing our integration techniques and software for pitch drive controllers supplied by Supplier S with advanced software and reliable hardware components. The pitch drive controller has comparable specifications to the pitch drive controller currently adopted in our pitch control systems, which is procured from KEB Shanghai.	December 2020

Development projects	Technological highlights	Estimated time of introduction into our current product offerings
8.0 MW high-efficiency pitch control system* (8.0 MW大功率變槳)	Capitalising on the advanced pitch drive controller model COMBIVERT 23P6 procured from our major supplier, KEB Shanghai, we are developing a pitch control system design which is compatible with high-power wind turbines capable of generating wind power at 8.0 MW. We have developed a prototype for 8.0 MW high-efficiency pitch control system and are working on its enhancement for integration with wind turbine for testing and mass production. In addition, the pitch control system design adopts a centralised electronic control system which, through advanced coding and programming, centralises different control mechanisms for core components of the pitch control system into one single internal control unit. Such centralisation enhances the efficiency and cohesion of added functionalities such as anti-typhoon functionality, monitoring of humidity, temperature and corrosion level and remote software update of the internal control mechanism.	September 2021
12.0 MW high-efficiency pitch control systems* (12.0 MW大功率變槳)	To further capitalise our capability on producing high-power wind turbines, we are also developing a pitch control system design which is capable of generating wind power at 12.0 MW.	December 2021

R&D achievement

In July 2017, our R&D centre was established as one of the Jiangyin Engineering and Technology R&D Centre Projects approved by Jiangyin Science and Technology Bureau* (江陰市科學技術局). In April and November 2018, we were awarded "Small and medium-sized Scientific Technologic Type Enterprise of the Jiangsu Province in 2018" and "National New High-tech Enterprise Certificate", respectively, for our R&D function in wind power solutions and pitch control systems.

To protect our core value in R&D achievement, we register patents for our inventions and designs and software copyrights for our software designs. As at the Latest Practicable Date, we owned more than 25 patents and had 15 patents under application, as well as 10 software copyrights, relating to pitch control systems and wind energy related inventions and designs.

We believe that our R&D function enables us to appeal to our customers' needs and maintain business relationships with our existing customers, as well as exploring new business opportunities.

MARKET AND COMPETITION

In the wind power industry supply chain, wind turbine manufacturers are the most common customers of pitch control system manufacturers. According to the F&S Report, due to the high concentration of wind turbine manufacturers in the PRC, which is evident from (i) the limited number of wind turbine manufacturers in the PRC and (ii) the top ten wind turbine manufacturers ranked by newly installed capacity in the PRC having increased their market share from 80.3% in 2014 to 90.0% in 2018, the pitch control system market has become concentrated. As a result, pitch control system manufacturers usually have extremely concentrated customers and wind turbine manufacturers in the PRC generally have one to four pitch control system suppliers according to the F&S Report (out of the top 10 wind turbine manufacturers in the PRC in 2018, (i) four (40%) had only one pitch control system supplier; (ii) five (50%) had two to three pitch control system suppliers and (iii) one (10%) had four pitch control system suppliers).

According to the F&S Report, although wind turbine manufacturers in the PRC are generally unwilling to choose multiple suppliers of pitch control systems, they require multiple suppliers in order to maintain their business operations in practice since (i) different suppliers provide pitch control systems with different specifications and functionalities that cater for the specific demands of customers of wind turbine manufacturers; (ii) having multiple suppliers provides wind turbine manufacturers with alternatives to address issues such as supply shortages or sudden price increases; and (iii) having multiple suppliers of components of wind turbines provides wind turbine manufacturers with bargaining power when negotiating contractual terms with such suppliers.

According to the F&S Report, the total market size of pitch control system in the PRC was about RMB1,834.2 million in terms of sales value in 2018, among which, sales value for high-voltage pitch control systems was around RMB1,104.4 million, representing about 60.2% of the market. According to the F&S Report, our Group 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%.

Among the top ten pitch control system manufacturers in 2018, seven pitch control system manufacturers only had one customer, one manufacturer had two customers and two manufacturers had three or more customers. The pitch control system manufacturing market in the PRC is highly concentrated since, according to the F&S Report, (i) customers of pitch control system manufacturers, which are wind turbine manufacturers, are increasingly concentrated in the PRC (top ten wind turbine manufacturers by newly installed capacity have increased their market share from 80.3% in 2014 to 90.0% in 2018) and the limited number of wind turbine manufacturers led to the limited choice of pitch control system manufacturers to expand their business to different customers; (ii) wind turbine manufacturers are generally unwilling to choose multiple suppliers due to the need for wind turbine manufacturers to share confidential technical parameters to pitch control system manufacturers during their cooperation in order to customise their products (in 2018, each of the top ten wind turbine manufacturers had only one to four pitch control system manufacturers as suppliers); and (iii) wind turbine manufacturers prefer to build long-term and stable relationships with pitch control system manufacturers due to the limited choice of pitch control system manufacturers that meet their scale, standards and technical requirements.

Although some large wind turbine manufacturers have their own related pitch control system manufacturers, independent third-party pitch control system manufacturers are, according to the F&S Report, indispensable and have a positive growth potential in the market since (i) independent third-party pitch control system manufacturers can provide more comprehensive technical solutions and better after-sales services; and (ii) they can reduce the financial and production pressure of wind turbine manufacturers by providing them with favourable credit periods and supplying them with sufficient pitch control systems when such demand arises.

Foreseeing the demand of high-voltage pitch control system which enhances the efficiency of the operation and lowers the deficiency rate of wind turbines, we have been focusing on R&D on software and integration techniques for high-voltage pitch control systems. According to the F&S Report, we are one of the pioneers who realised the integration of hardware and software to offer high-voltage pitch control systems in the PRC market. We also equip ourselves with a production plant to guarantee high quality output of our pitch control systems. We believe we can continue to leverage our market position to further expand our business and increase our market share.

INSURANCE

Other than maintaining social security and housing provident for our employees, we also maintain employers' liability policies for our operating subsidiaries to cover personal injuries liabilities. We also maintain accident and medical insurance for our employees at the Duolun Wind Farm. We have not purchased any insurance for interruptions of our business or environmental liability, which, in the opinion of our Directors, is consistent with customary practice.

Our Directors believe that our Group's insurance coverage is adequate for our operations and is in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, (i) our Group has not made, nor been the subject of, any material insurance claim and (ii) there has been no product liability claims against us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Due to the importance of environmental sustainability to our Group and the significance of social and economic responsibilities to us, we have adopted the following policies to provide for guidelines in relation to environmental, social and governance aspects of our business operations.

Environmental protection

Our business is subject to PRC environmental protection laws and regulations. For further details, please see "Regulatory overview — Regulations related to environmental protection" in this prospectus.

Our Directors are of the view that the adherence to relevant environmental protection laws and regulations is important to the long-term development and success of our Group. In addition to irreversible damage inflicted on the environment, any non-compliances with the relevant environmental protection laws and regulations may also subject our Group to complaints and/or penalties. Any such complaints and/or penalties imposed by the relevant authorities may have an adverse impact on our financial position and reputation in the wind power industry, which may in turn affect our business outlook and implementation of our future plans.

We have adopted a stringent environmental management system to ensure that our business operations are in compliance with the relevant environmental protection laws and regulations. Our environmental management system has complied with the standard of GB/T24001-2016/ISO14001:2015 and has been awarded a certificate for management of related environmental aspects of new energy wind power turbine control system technology development, wind power turbine pitch control cabinets production and industry lubricating oil sales, on 19 December 2019, which remains valid until 18 December 2022.

We have implemented policies in order to satisfy the requirements and standards imposed on our environmental management system. Such policies provide for detailed guidelines on our Group's strategies in accordance with environmental protection aspects of our business operations. We also have a designated quality, environmental, health and safety team to oversee and monitor our Group's implementation of such policies, which reports to our Directors regularly. The implementation of such policies are recorded in accordance with the relevant environmental protection laws and regulations. Set out below are some of the key procedures which have been adopted by our Group during the Track Record Period:

Management of sewage

We produce sewage from (i) domestic purposes (e.g. toilet and cooking); and (ii) the cleaning of the relevant equipment and machinery for the provision of wind power solutions, which are disposed through the municipal pipe network.

Storage of our lubricants

We have commenced the sales of lubricants to Envision Group in FY2019. Although the lubricants are not hazardous chemicals as defined under the relevant laws and regulations in the PRC according to the PRC Legal Advisers, in order to ensure the safe storage of the lubricants and to minimise the risk of the occurrences of any accidents, we have adopted certain measures in relation to the storage and handling of our lubricants during the Track Record Period, which include the following:

- Storage facilities for lubricants must be (i) specialised space or storage rooms; (ii) managed by designated personnel; (iii) labelled clearly; and (iv) kitted with sufficient fire safety equipment;

- Personnel and departments which handle lubricants must strictly comply with the relevant management regulations, operational procedures and fire safety guidelines; and

- Specialised containers used for the storage of lubricants must be labelled accordingly.

Management of waste

Waste is also produced outside the manufacturing process of pitch control systems and the provision of other wind power solutions. We have adopted practices in relation to the separation, collection, storage and disposal of such waste during the Track Record Period in order to minimise the environmental impact of our Group.

Energy-saving measures

By adopting measures to conserve energy during the manufacturing process of pitch control systems and the provision of other wind power solutions, we strive to minimise the impact of our business operations on the environment. Such measures include practices to limit electricity and water wastage, guidelines on permitted usage of electronic equipment by our employees and utilisation of equipment which is energy-efficient during the Track Record Period.

For each of FY2017, FY2018, FY2019 and 4M2020, our Group incurred minimal costs for compliance with the applicable environmental protection laws and regulations. Based on the past experience of our Group's management team, the nature of the industry and further developments of the industry, our Directors believe that the annual cost of compliance with the applicable laws and regulations relating to environmental protection will remain comparable to such costs during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any environmental complaints or administrative penalties with respect to environmental violations which would have a material adverse impact on our business operations. The PRC Legal Advisers are of the opinion that according to the written confirmations provided by the relevant competent environmental authorities of PRC and public online search on the relevant websites of PRC environmental authorities, no administrative penalties have been found imposed on us for the violation of environmental protection laws and regulations of the PRC during the Track Record Period.

Social responsibility

The wellbeing of our employees are essential to the business operations of our Group and we emphasise on the ethical treatment of our employees, through providing them with an environment to develop their careers and dedicate themselves to the development of our Group. We are committed to providing a safe and healthy working environment and have established guidelines and manuals relating to operational safety and handling of industrial accidents in order to promote occupational health and work safety. Seminars are also held by our Group occasionally for our employees, in order for them to catch up with market trend in terms of professional knowledge and skills, management capabilities and other relevant areas. We offer remuneration packages to our employees, which includes a number of subsidies and is subject to adjustments based on appraisal results of individual employees in order to incentivise our employees in choosing to develop a career with us. For details, please see "Employees" below.

Governance

We strive to build long-term and stable relationships with our business partners in order to achieve positive growth in our business operations and future development. We consider our suppliers to be an integral part of the business operations of our Group and expect our suppliers to uphold the environmental, social and governance principles that we have adopted into the management of our business operations. In order to ensure that our components and raw materials meet the requisite safety and quality standards, we adopt stringent criteria in supplier selection and continuously monitor our existing suppliers on a regular basis, based on criteria such as product quality, product defect ratio, delivery punctuality and responsiveness.

We also emphasise on business integrity as key to our long-term development in order to establish long-term and stable relationships with our customers, our suppliers, our employees and other participants in the wind power industry supply chain. We endeavour to uphold the business integrity of our Group by maintaining a risk management and internal control system. Our risk management and internal control system and procedures are designed to meet our specific business needs and to alleviate the risks arising from our daily operations. For details on the enhanced policies to strengthen our internal governance, see "Risk management and internal control" below.

Upon Listing, our Directors confirm that they will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

OCCUPATIONAL HEALTH AND WORK SAFETY

Our business operations in the PRC are subject to various laws and regulations relating to occupational health and work safety. For details, please refer to "Regulatory overview — Regulations on employment and social welfare".

We are committed to providing a safe and healthy working environment for our employees and believe that sufficient measures have been adopted to ensure our employees' safety at work. As such, we have adopted policies which comply with GB/T28001-2011/OHSAS18001:2007 in relation to occupational health and safety management systems to safeguard the safety and wellbeing of our employees. We have complied with GB/T 45001-2020/ISO 45001:2018 and were awarded a certificate on 19 December 2019 for the occupational health and work safety activities in relation to the R&D and manufacture of pitch control system and sale of industry lubricating oil, which remains valid until 18 December 2022. In order to minimise the risk of accidents and enhance our employees' awareness of health and safety issues, we have established guidelines and manuals relating to operational safety and handling of industrial accidents. We have also installed fire safety equipment in accordance with the relevant PRC laws and regulations.

During the Track Record Period, we did not experience any material health and work safety incidents or receive any administrative penalties for violating laws and regulations in relation to health and work safety in the course of our operations.

EMPLOYEES

As at the Latest Practicable Date, our Group had 164 full-time employees in total. The following table sets forth the number of our Group's employees by job functions:

Job functions	Number of employees
Sales and marketing	6
Procurement	5
Production and testing	21
Operation and maintenance of wind farms	88
Technical and R&D	10
Warehousing and logistics	8
Quality control	7
Finance	6
Management, administrative and human resources	13
Total	164

Recruitments

Our human resources department determines the recruitment strategy of our Group, subject to the approval by our senior management, based on the business development, needs and requests by departments of our Group. Our candidates will normally be qualification-checked and interviewed during the recruitment process and will be examined based on their relevant experiences, skills, knowledge, and integrity. We also encourage our employees to refer us candidates, rewards would be given if the candidate successfully became our employees.

Training

It has been our Group's policy to provide all-round training to our employees. New recruitments must attend the induction training and pass examinations which are organised by our human resource department in order to be retained. Employees fulfilling specialised and technical job functions (in particular employees involved in (i) the assembling process and (ii) operation and maintenance of wind farms) will also receive specialised training periodically and are required to possess the relevant qualification and/or certification. Our Group will also hold seminars and events occasionally for our employees, in order for them to catch up with market trend in terms of professional knowledge and skills, management capabilities and other relevant areas such as financial reporting, leadership skills, error minimisation of the production line and quality control.

Confidentially

We require employees who have access to important and confidential information to undertake confidentiality obligation by contract. Under such contract, each of the relevant employees is bound to keep our technologies and commercial secrets confidential.

Remuneration

Our employees are generally remunerated by way of fixed salary based on their seniority and job functions. We utilise an appraisal system for our employees and consider the appraisal results of individual employees when conducting their salary review and determining the amount of bonuses. Our employees are also entitled to a number of subsidies, including but not limited to, festivities allowances; annual body check allowance; free company meals and performance-based bonus and paid leave.

Social insurance scheme and housing provident funds

We register and make contributions to social insurance and housing provident funds for our employees as required by local authorities.

Trade unions and disputes

During the Track Record Period, none of our employees are members of a trade union. As at the Latest Practicable Date, we have not experienced any major labour dispute or labour disturbances that have interfered with our operations and our relationship with employees are favourable.

INTELLECTUAL PROPERTIES

Our intellectual property rights are essential for our business. We have been devoted to R&D on pitch control systems in various aspects, including invention of pitch control device and control system, testing platform, production management, data connection platform, device for energy recycling in pitch control system cabinets etc. As at the Latest Practicable Date, we owned 28 patents and 10 software copyrights. We continue to apply for new patent rights in the PRC for the products and technologies we develop from time to time, and as at the Latest Practicable Date, we had 15 patents under application.

We have registered “ ” as our trademark in Hong Kong, while we have also applied “ ” as trademark in the PRC.

The following measures have been taken to protect our intellectual property rights:

- register our R&D achievements as patents or software copyrights from time to time;
- inclusion of confidentiality clauses in sale and purchase agreements with customers to protect our trade secrets; and

- inclusion of confidentiality clauses in employment contracts and signing of trade secret protection agreements with our employees.

For further details on the intellectual property rights owned by our Group, please refer to "Statutory and general information — B. Further information about our business — 2. Material intellectual property rights" in Appendix IV to this prospectus.

During the Track Record Period, our Group has used certain unlicensed computer software products in the course of our operations in the PRC. We have rectified the problem by (i) purchasing the relevant licensed computer software products; (ii) completed the relevant installation; and (iii) ceased to use the unlicensed software products since March 2020.

During the Track Record Period and up to the Latest Practicable Date, (i) we were not aware of any material infringement of our intellectual property rights; (ii) we believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights; and (iii) we have not been subject to any lawsuits and/or complaints for infringement of intellectual property rights.

PROPERTIES

Owned property in the PRC

The table below sets forth the particulars of our owned property:

Location	**Owner**	**GFA** *(sq.m.)*	**Usage**
Sandaogou Village of Dahekou Town, Erdaowa Village of Dolon Nor Town, Duolun County* *(Note)* (多倫縣多倫諾爾鎮二道洼村、大河口鄉三道溝村)	Datang Gucang	20,000.00	Industrial usage

On 28 October 2015, Datang Gucang was granted the right to use the said premises for industrial usage for a term up until 9 September 2065. Pursuant to the Construction Project Planning Permit* (No. 152531201500070) granted by the Housing and Urban Planning and Construction Bureau of Duolun county* on 13 November 2015, Datang Gucang had the right to construct a comprehensive building with gross floor area of 717.5 sq.m. on the said property. Pursuant to permission granted by the Development and Reform Commission of Xilingol League* on 1 April 2017 (No. 16 of 2017), Datang Gucang completed the construction of the facilities for the Duolun Wind Farm for the purpose of wind power and hydroelectricity with a rate of 20 MW. The above property is where the control unit of our Duolun Wind Farm situates and hence is crucial to our Group's wind power generation business.

Since 23 March 2017 and up to the Latest Practicable Date, we have used the land use right certificate for the said premises as security for a mortgage with the Xuanwumen branch of the Bank of Jiangsu, which has been registered with the relevant authorities on 20 April 2017. As at the Latest Practicable Date, the Real Estate Registration Center of Duolun County* (多倫縣不動產登記中心) is unable to process the property ownership certificate application for the comprehensive building due to the land use right of the comprehensive building being used as security of the mortgage. According to the telephone interview conducted by the PRC Legal Advisers with the Real Estate Registration Center of Duolun County* (多倫縣不動產登記中心) on 10 March 2020, it has been confirmed that (i) according to local practices, the registration application of buildings which are located on mortgaged land is generally difficult to arrange; and (ii) on the premise of compliance with all relevant laws, regulations and procedural requirements, there is no material legal impediment for the property ownership registration of the comprehensive building upon the release of the aforesaid mortgage. As advised by the PRC Legal Advisers, the Real Estate Registration Center of Duolun County* (多倫縣不動產登記中心) is the governmental authority that is directly in charge of property ownership registration of the comprehensive building. Furthermore, according to the telephone interview conducted by the PRC Legal Advisers with the Confirmation and Registration Bureau of Natural Resources Department of Inner Mongolia Autonomous Region* (內蒙古自治區自然資源廳確權登記局) on 12 August 2020, they will not overturn the county level authorities' confirmations. As at the Latest Practicable Date, the outstanding loan subject to the relevant mortgage amounted to RMB20.7 million. We will repay the outstanding loan half-yearly on schedule. Taking into consideration the financial resources presently available to us, including our existing cash and cash equivalents, bank borrowings and other external resources, and the estimated net proceeds from the Global Offering, the relevant mortgage loan using Duolun Wind Farm as security is expected to be settled in or before December 2021 such that our Group will apply to obtain the property ownership certificate.

We have obtained a written confirmation from the Natural Resources Bureau of Duolun County (the "Bureau") (多倫縣自然資源局) on May 26, 2020, in which it has been confirmed that (i) Datang Gucang is within the jurisdiction of the Bureau and has the right to use the state-owned land as authorised in the Duoguoyong (2015) No.01674 Land Use Right Certificate, and (ii) according to the administrative records of the Bureau, Datang Gucang's acquisition and use of the land use right are lawful and compliant, and from 1 January 2017 to 26 May 2020, Datang Gucang has complied with the laws and regulations relating to land administration without any illegal land use activities and there are no administrative punishment or investigation has been or might be imposed on Datang Gucang by the Bureau due to violations of laws and regulations and Datang Gucang has no disputes or lawsuits with the Bureau and has received no complaints about state-owned land.

We have obtained a written confirmation from the Real Estate Registration Center of Duolun County* (多倫縣不動產登記中心) dated 21 April 2020 confirming that (i) it is unable to process the property ownership certificate application for the comprehensive building due to the land use right of the comprehensive building being used as security of the mortgage; and (ii) Datang Gucang can only apply for the property ownership for the comprehensive building in accordance with the relevant laws and regulations upon provision of project planning permits, construction permits, filing certificate for the completion acceptance. Given that (i) Datang Gucang has already obtained project planning permits and construction permits in accordance with the relevant rules and regulations as required by the written confirmation; and (ii) Datang Gucang has obtained the filing certificate for the completion acceptance on 6 May 2020, as advised by the PRC Legal Advisers, upon the release of the aforesaid mortgage, there is no material legal impediment for the Company applying for the property ownership registration of the comprehensive building.

We have further obtained a written confirmation from Development and Reform Commission of the Duolun County* (多倫縣發展和改革委員會) dated 22 April 2020 confirming that Datang Gucang has obtained the necessary approvals and licenses for the operation of Duolun Wind Farm and the commission would not order Datang Gucang to stop the operation of Duolun Wind Farm for not obtaining the property ownership certificate of the comprehensive building.

According to a safety assessment report issued by an independent professional safety evaluation company in December 2016 on safety assessment of facilities, equipment, devices and structure of Duolun Wind Farm (inclusive of the above property), our Duolun Wind Farm was in conformity of the relevant safety requirements in material respects under the applicable PRC laws and regulations.

Our Directors believe that our Group will not be subject to additional land costs if all relevant title certificates had been obtained for the relevant properties, save and except filing fees for the relevant government authorities.

According to our PRC Legal Advisers, (i) the government authorities are competent in providing the relevant confirmations mentioned above, and (ii) there is no particular penalty as a result of the non-completion of the property ownership registration of the comprehensive building, however, the title to relevant property is regarded as subject to encumbrance and may not be transferred to other parties. We have no intention to transfer the title of the above property in the foreseeable future.

Leased properties in the PRC

As at the Latest Practicable Date, our Group leased the following properties for our main operations from Independent Third Parties in the PRC:

Location	GFA *(sq.m. in approximate)*	Usage	Monthly rental/ obligations *(RMB)*	Term
Workshops and attached buildings of Jiangyin Dingli Electronic Materials Co., Ltd., Longtan Road, Yuecheng town, Jiangyin City*[(Note)] (江陰市月城鎮龍潭路江陰市鼎立電子材料有限公司部分廠房及附房)	3,530	Manufacturing, operations and storage	28,042 from 1 January 2018 to 31 December 2019; 38,137 from 1 January 2020 to 31 December 2022	1 January 2018 to 31 December 2022
Room 810, 6/F, Block 1(1–5), No. 1 Beishatan A Road, Chaoyang district, Beijing City* (北京市朝陽區北沙灘甲1號1幢1–5內6層810室)	30	Office	4,500	1 January 2020 to 31 December 2020
Room 805, 3/F, No. 391 Guiping Road, Xuhui district, Shanghai City* (上海市徐匯區桂平路391號3號樓805室)	204	Office	32,239	1 April 2020 to 30 September 2020

Note: According to the collective land use certificate of the said premises issued in April 2007, the said premises is registered under Jiangyin Yuecheng Town Investment Co., Ltd.* (江陰市月城鎮投資有限公司) (the "**Landlord**"), an Independent Third Party, for industrial purposes. Jiangyin Dingli is the lessee and the Landlord is the lessor of the said premises. To the best knowledge of our Directors, save and except the lessor-lessee relationship, there is no other relationship between the Landlord and Jiangyin Dingli. On 20 December 2017, Jiangyin Hongyuan entered into a lease agreement with Jiangyin Dingli, under which the said premises are leased to our Group for manufacturing, operations and storage for a five-year period from 1 January 2018 to 31 December 2022. As advised by our PRC Legal Advisers, according to written confirmation from the Landlord dated 23 April 2020, (i) the Landlord has agreed to the sub-lease arrangement between Jiangyin Dingli and Jiangyin Hongyuan; and (ii) that entering into the lease agreement with Jiangyin Dingli instead of the Landlord would not affect its validity and our Company's use of the said premises.

As at the Latest Practicable Date, we have also leased eight properties in Jiangyin City, Jiangsu Province for the purpose of staff residence. We have not registered the lease agreements in respect of our leased properties in the PRC due to the difficulty of procuring the landlords' cooperation to register such lease agreements. Pursuant to the applicable PRC laws and regulations, a lease agreement shall be registered with the relevant authority within 30 days after the lease agreement is signed. As at the Latest Practicable Date, we have not registered 11 lease agreements in relation to our leased properties with the relevant PRC governmental authority and our Group may therefore be subject to a maximum fine of RMB110,000 for non-registration of such lease agreements. Our PRC Legal Advisers have advised us that the lack of registration will not affect the validity of lease agreements, our use of these leased properties would not be affected.

LICENCES AND PERMITS

As advised by our PRC Legal Advisers, our Group has obtained all material requisite licences, permits and approvals for our operations. We set out below the material licences, permits and approvals for our operations:

Name of licences, permits and approvals	**Holding entity**	**Issuing authority**	**Validity period/ Term**
Electricity Business Permit* (電力業務許可證)	Datang Gucang	Northern China Energy Regulatory Bureau of the NEA of the PRC 國家能源局華北監管局	2 May 2017 to 1 May 2037
National New High-tech Enterprise Certificate* (國家高新技術企業證書)	Jiangyin Hongyuan	Science and Technology Department of Jiangsu Province, Department of Finance of Jiangsu Province and Jiangsu Provincial Bureau of Taxation of the State Administration of Taxation (江蘇省科學技術廳, 江蘇省財政廳 and 國家稅務總局江蘇省稅務局)	28 November 2018 to 27 November 2021

Name of licences, permits and approvals	Holding entity	Issuing authority	Validity period/ Term
New High-tech Product Recognition Certificate* (高新技術產品認定證書)	Jiangyin Hongyuan	Jiangsu Province Science and Technology Department (江蘇省科學技術廳)	November 2017 to November 2022

AWARDS AND CERTIFICATES

We have also obtained awards and certificates based on our innovation in developing and enhancing our product portfolio and the consistent quality of our products and services. The table below shows a list of major awards and certificates which we have obtained during the Track Record Period and up to the Latest Practicable Date:

Name of awards and certificates	Holding entity	Issuing authority	Date of issue
"First-choice entity for construction of industrial hubs in 2019"* (2019年度產業強鎮建設先選單位)	Jiangyin Hongyuan	Communist Party of China Committee of Yuecheng town* and Jiangyin Municipal Yuecheung Town People's Government* (中共月城鎮委員會 and 江陰市月城鎮人民政府)	March 2020
Inclusion in the "Provincial Key Promotion and Application List of New Technology and New Product Catalogue (22nd batch)"* (省重點推廣應用的新技術新產品目錄名單(第二十二批))	Jiangyin Hongyuan	Jiangyin Bureau of Industry and Information Technology* (江陰市工業和信息化局)	January 2020

Name of awards and certificates	Holding entity	Issuing authority	Date of issue
"First-choice entity for construction of industrial hubs in 2018"* (2018年度產業強鎮建設先選單位)	Jiangyin Hongyuan	Communist Party of China Committee of Yuecheng town* and Jiangyin Municipal Yuecheung Town People's Government* (中共月城鎮委員會 and 江陰市月城鎮人民政府)	March 2019
Inclusion in the "Specialised, boutique, unique or innovative sci-tech little giants information database of Jiangyin City in 2018"* (2018年度江陰市專精特新科技小巨人入庫企業名單)	Jiangyin Hongyuan	Jiangyin Municipal Commission of Economy and Informatisation*, Jiangyin Municipal Science and Technology Bureau and Jiangyin Municipal Finance Bureau* (江陰市經濟和信息化委員會，江陰市科學技術局 and 江陰市財政局)	22 November 2018
Inclusion in the "Small and medium-sized Scientific Technologic Type Enterprise to be included in the information database list (third batch) of the Jiangsu Province in 2018"* (江蘇省2018年第三批擬入庫科技型中小企業名單)	Jiangyin Hongyuan	Jiangsu Province Science and Technology Department (江蘇省科學技術廳)	17 April 2018

Name of awards and certificates	Holding entity	Issuing authority	Date of issue
Inclusion in the "Project list for the Engineering Research Centre of Jiangyin City in the second quarter of 2017"* (2017年第二季度江陰市工程技術研究中心項目表)	Jiangyin Hongyuan	Jiangyin Municipal Science and Technology Bureau (江陰市科學技術局)	24 July 2017

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to our Directors to be pending or threatened against an member of our Group which would have a material adverse effect on our financial position or results of operations.

Legal Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our Group as a whole.

RISK MANAGEMENT AND INTERNAL CONTROL

We have 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, we have various internal guidelines, written policies and procedures to monitor and alleviate the risks arising from our daily operations. Our Directors and management closely monitor the implementation and assess the effectiveness of these guidelines and measures which are crucial to our business sustainability. The following sets out the key measures adopted by our Group under our risk management and internal control systems.

Working capital and liquidity risk management

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due and may arise from balance or maturity mismatches of financial assets and liabilities. We have managed our balance sheet and have been able to maintain what we believe to be a satisfactory level of matching of our assets and liabilities. In addition, we have adopted effective strategies to manage our liquidity risk through ongoing capital budgeting, liquidity risk monitoring and timely refinancing.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, our trade and bills receivables, net of loss allowance were RMB72.7 million, RMB121.3 million, RMB145.4 million and RMB133.4 million, respectively, representing 86.6%, 91.7%, 72.2% and 61.3% of our current assets, with the average trade and bills receivables turnover days for the Track Record Period of 293 days, 245 days, 218 days and 328 days, respectively. Our Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("**ECLs**"), which is calculated using a provision matrix. As our Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between our Group's different customer bases. For details of credit risk and ECLs for trade receivables, please refer to Note 21 of the Accountants' Report in Appendix I to this prospectus. During the three years ended FY2019, our Group recognised provision for impairment of trade receivables, in accordance with provisional matrix, amounted to RMB0.3 million, RMB0.4 million and RMB0.1 million, respectively. During 4M2020, our Group recorded reversal of loss allowance of trade and other receivables of RMB0.3 million.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, our trade payables were RMB29.1 million, RMB23.3 million, RMB24.4 million and RMB19.7 million, respectively, representing 29.4%, 15.3%, 13.8% and 10.5% of our current liabilities, with the average turnover days of trade payables for the Track Record Period of 145 days, 96 days, 56 days and 70 days, respectively.

Our finance department is primarily responsible for managing and controlling our liquidity risk and reports to our senior management on a daily basis. To manage liquidity risks, we have adopted the following measures:

- maintain record of balance of cash inflows and outflows from our purchases and sales;

- maintain a monthly funding plan to identify and address any potential shortfall in short-term cash flow. Towards the end of each month, our finance department, based on the financing amount, lease receivables, payment of loans and/or loan interests in the coming month, formulates the monthly funding plan and sends it to our chief finance officer for review; and

- obtain borrowings at a cost that is reasonably lower than the interest charged by our finance leasing from diversified sources, such as bank and financial institutions so as to maintain a broad and cost effective funding base.

Operational risk management

Operational risk arises mainly from inadequate or failed internal controls and systems, human errors, information technology system failures or external events. We consider operational risk to be one of the risks in our business and believe that this inherent risk can be controlled or mitigated through adequate operational policies and procedures.

Our Board and our senior management oversee the overall controls of our Company. Our Board is responsible for managing and controlling the operational risk, which will also perform periodic investigations into the quality and effectiveness of the internal control systems and procedures and our overall operational risk management.

With the view to preventing losses from operational errors and maintain our reputation, we have adopted the following measures to identify, assess, monitor, control and mitigate operational risks, and to strengthen our operational risk management:

- maintaining a comprehensive corporate governance structure with clearly defined duties of the Board, senior management, operation management committee as well as the various departments;
- maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;
- maintaining and continuously improving our operational procedures and internal control system, and utilising our IT system to monitor and control the performance of each procedure;
- providing training to our employees in order to enhance their awareness against non-compliance;
- reviewing, assessing and adjusting our internal control procedures and risk management systems on an annual basis in response to the development of our business process as well as regulatory requirements;
- adopting a code of conduct with consistent disciplinary measures for employee misconduct; and
- providing a reporting channel for violations and abnormal conduct or incidents.

Regulatory risk management

Upon Listing, we may be exposed to the risks of non-compliance with the Listing Rules. We have engaged professional company secretary, Tang Wing Shan Winza as one of our joint company secretaries and assigned Mr. Pan Honghuang (our joint company secretary), to ensure our Group's compliance with the applicable laws and regulations and to distribute to all Directors and employees any new amendments of the Listing Rules. We have engaged Fortune Financial Capital Limited as our compliance adviser as required under the Listing Rules. We will also seek legal advisers from time to time as our management considers appropriate. All Directors and employees are required to acknowledge their understanding of staff handbook and internal control manual and compliance manual at least annually. Our Group will also retain a Hong Kong legal advisor to advise us on compliance matters in relation to applicable Hong Kong laws and regulations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Mr. Richard Cheng and Hongyuan BVI will be our Controlling Shareholders collectively and beneficially interested in aggregate approximately 75% of our issued share capital. Please refer to the section headed "History, development and Reorganisation" in this prospectus for details of the shareholding structure among our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after Listing.

Management Independence

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors. For more details, please refer to "Directors and senior management" in this prospectus.

Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

The daily operation of our Group is carried out by an independent and experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our interest in our Company after the Listing, we have full rights to make all decisions regarding, and carryout, our own business operations independently. We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licenses, approvals and certificates to carry on our business and we have sufficient operational capacity in terms of capital and employees to operate and manage independently. We do not rely on our Controlling Shareholders or their respective close associates for our operations. We have independent access to suppliers and an independent management team (including our directors and senior managements) to handle our daily operations. We have our own headcount of employees for our operations and management for human resources. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. During the Track Record Period and as at the Latest Practicable Date, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholder and their respective close associates.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after Listing.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group. The finance department is independent from our Controlling Shareholders. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders.

During the Track Record Period, Mr. Richard Cheng, one of our Controlling Shareholders, has provided financial assistance in the form of personal guarantee in favour of a bank in the PRC for the repayment obligations of Jiangyin Hongyuan for a maximum amount of RMB5 million. The personal guarantee has been fully released and the repayment obligations of Jiangyin Hongyuan have been fully discharged prior to the Latest Practicable Date. Our Group also owed an aggregate sum of approximately RMB31.8 million to Mr. Richard Cheng and a company controlled by him which was waived irrevocably and unconditionally in full on 31 December 2019.

As none of loans, guarantees or pledge provided by our Controlling Shareholders in favour of our Group will continue after Listing, we will not rely on our Controlling Shareholders for financing after the Global Offering and we will have sufficient working capital to operate our business independently.

We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of our Shareholders. For further details, please refer to subsection headed "Corporate governance measures" in this section.

RULE 8.10 OF THE LISTING RULES

None of our Controlling Shareholders and our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

We will adopt the following corporate governance measures to avoid any potential conflicts of interest arising from any future potential competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders:

(i) if a Director has a material interest in a particular transaction, he shall abstain from voting in any matters relating to such transaction being considered at the Board meeting and he will not be counted as a quorum of the Board meeting;

(ii) if disinterested Directors (including the independent non-executive Directors) reasonably seek to obtain independent and professional advice (such as financial adviser advice), the costs incurred for obtaining such advice will be borne by our Company; and

(iii) we have appointed Fortune Financial Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Further, our 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.

Our Company is also required to comply with the Listing Rules, which provides, among other matters, prohibitions on directors' dealings in securities and protection of minority shareholders' rights.

Our Directors are therefore satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders' rights after the Listing.

Our Company is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our independent non-executive Directors, details of whom are set out in the section headed "Directors and senior management" in this prospectus, individually and together possess the requisite knowledge and experience to be a member of our Board. All of our independent non-executive Directors are experienced and will provide impartial and professional advice to protect the interest of our minority Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option) have interests or short positions in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		Shares held immediately following the completion of the Capitalisation Issue and the Global Offering	
Name of substantial Shareholder	**Nature of interest and capacity**	**Number of Shares held/interested(1)(2)**	**Approximate percentage of shareholding(1)(2)**
Hongyuan BVI(3)	Beneficial owner	187,500,000	75%
Mr. Richard Cheng(3)	Interest in controlled corporation	187,500,000	75%
Ms. Zhou(4)	Interest of spouse	187,500,000	75%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 250,000,000 Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised.

(3) Hongyuan BVI is a company incorporated in the BVI, the entire issued share capital of which is held by Mr. Richard Cheng.

(4) Ms. Zhou, 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.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

OVERVIEW

The Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The following table sets out certain information regarding our Directors:

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities in our Group	Relationship with other Directors or senior management
Mr. Cheng Liquan Richard (程里全)	55	The chairman of the Board and executive Director	28 November 2019	11 November 2011	Overall strategic planning and development of our Group and oversee the financial management and planning of our Group	Mr. Richard Cheng is the younger brother of Mr. Cliff Cheng
Mr. Cheng Li Fu Cliff (程里伏)	62	Executive Director and the chief executive officer	17 March 2020	10 October 2015	Oversee the daily operations and overall general management of our Group	Mr. Cliff Cheng is the elder brother of Mr. Richard Cheng
Mr. Wang Lubin (王魯彬)	64	Non-executive Director	19 March 2020	19 March 2020	Provide strategic advice to the business and operation of our Group, with support on the extension of our business network	None
Mr. Li Hao (李浩)	55	Non-executive Director	19 March 2020	19 March 2020	Provide strategic advice to the business and operation of our Group, with support on the extension of our business network	None
Mr. Yip Chun On (葉俊安)	45	Independent non-executive Director	4 September 2020	4 September 2020	Supervising our Board, and provide independent advice to our Board, particularly with regard to the financial aspects of our Group	None
Mr. Kang Jian (康健)	57	Independent non-executive Director	4 September 2020	4 September 2020	Supervising our Board, and provide independent advice to our Board	None
Mr. Li Shusheng (李書升)	56	Independent non-executive Director	4 September 2020	4 September 2020	Supervising our Board, and provide independent advice to our Board, particularly with regard to the industry and market aspects of our Group	None

DIRECTORS

Executive Directors

Mr. Cheng Liquan Richard (程里全), aged 55, is an executive Director and the chairman of our Board. 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 since 10 November 2011. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee.

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. (寧波保稅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**")[1]. 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).

From June 2010 to September 2014, Mr. Richard Cheng served as a director at Wuhan Boch Jaco Environmental Co., Ltd. (武漢博奇玉宇環保股份有限公司), a company listed on National Equities Exchange and Quotations (stock code: 831100) which is mainly engaged in providing electric power construction. From August 2011 to April 2017, Mr. Richard Cheng served as a director at Shanghai ZJ Bio-Tech Co., Ltd. (上海之江生物科技股份有限公司), a company listed on National Equities Exchange and Quotations (stock code: 834839) which is a molecular diagnosis reagent manufacturer. 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 received his bachelor's degree in political economy from Fudan University in July 1987.

Mr. Cheng Li Fu Cliff (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 since October 2015.

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.

[1] 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.

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

Non-Executive Directors

Mr. Wang Lubin (王魯彬), aged 64, was appointed as our non-executive Director on 19 March 2020.

From September 1994 to October 2016, Mr. Wang Lubin 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 Lubin 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. Li Hao (李浩), aged 55, 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. Wang and Mr. Li Hao are 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. 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. Wang and Mr. Li have been devoted to our Group's affairs since their 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 their tenures.

Independent Non-Executive Directors

Mr. Yip Chun On (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 (維斯澳而咨詢公司), 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 (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 18 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 the assistant 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 (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 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.

Arbitration proceedings involving Beijing Wenchuang

Mr. Cliff Cheng served as an executive director, authorised legal representative and manager of Beijing Wenchuang Youlike New Energy Technology Limited (北京文創優利可新能源科技有限公司) ("**Beijing Wenchuang**") from September 2013 to August 2016. Beijing Wenchuang is not a member of our Group and as at the Latest Practicable Date, 39.87% of the entire equity interest therein was held by Shanghai Yingzhen which was indirectly wholly-owned by Mr. Richard Cheng and the remaining 60.13% was held by six individuals who are Independent Third Parties. Mr. Richard Cheng is a passive investor in Beijing Wenchuang and accordingly he has not engaged in the day-to-day management and operations of Beijing Wenchuang.

Pursuant to an arbitral award issued by China International Economic and Trade Arbitration Commission dated 20 April 2018 (the "**Arbitral Award**"), an arbitration (the "**Arbitration**") was conducted on 27 January 2018 between three applicants (the "**Applicants**") and Beijing Wenchuang in respect of three agreements (the "**Agreements**") entered into among the Applicants and Beijing Wenchuang on 6 November 2012 and 29 November 2012 respectively. The Agreements were entered into prior to Mr. Cliff Cheng's appointment as an executive director, authorised legal representative and manager of Beijing Wenchuang and Mr. Cliff Cheng resigned from the said positions in August 2016 in his own accord which was way before the commencement of the Arbitration. The Applicants contested that the 23 and 33 sets of pitch control systems purchased by two of the Applicants respectively, which were for installation in wind turbines, were either malfunctioned or faulty. Though Beijing Wenchuang had tried to look into the faults and to fix the problems, they could not be rectified and therefore, several wind turbines were left idle for a long time.

It was adjudged that Beijing Wenchuang had to pay damages of approximately RMB22.5 million in aggregate to the Applicants as well as the legal costs of the Applicants and costs of the Arbitration which amounted to approximately RMB0.7 million. Beijing Wenchuang failed to pay the damages under the Arbitral Award before the specified deadline. The Applicants sought to enforce the Arbitral Award through the Beijing First Intermediate People's Court (the "**Beijing Court**") in June 2018. The Beijing Court conducted investigations on Beijing Wenchuang to find out if there were any assets for paying damages to the Applicants. However, no assets were identified. The Beijing Court imposed freezing injunctions on all the shares of Beijing Wenchuang's subsidiary as well as on certain patents, trademarks and copyrights on the software developed. Since no assets could be ascertained from Beijing Wenchuang, the enforcement of the Arbitral Award (the "**Enforcement**") had come to a halt in October 2018 in accordance with Article 254 of the Civil Procedure Law of the PRC. As and when the Applicants discover any assets of Beijing Wenchuang in the future, they are at liberty to apply to restore the Enforcement (collectively, the "**Incident**").

In relation to the Incident, our Board is of the view that Mr. Cliff Cheng is suitable to act as a Director due to the following reasons: (i) the Agreements were signed between the parties prior to the appointment of Mr. Cliff Cheng as an executive director, authorised legal representative and manager of Beijing Wenchuang; (ii) the Agreements were performed prior to the appointment of Mr. Cliff Cheng with Beijing Wenchuang; (iii) the Arbitration was conducted more than a year subsequent to Mr. Cliff Cheng's cessation as an executive director, general manager and authorised legal representative and therefore, he had no knowledge as to the progress of the Incident thereafter, including but not limited to reasons for the escalation of the Incident; (iv) Mr. Cliff Cheng has not been named and/or being criticised and/or was subject to any judgment or order imposed by the courts; (v) there is no evidence to suggest that Mr. Cliff Cheng had been in breach of fiduciary duties during his tenure when he was the executive director of Beijing Wenchuang; (vi) no litigations or civil actions have been taken out by Beijing Wenchuang against Mr. Cliff Cheng; and (vii) Mr. Cliff Cheng has never been subject to or assisted in any investigations and/or inquiries and/or any actions taken by any authority in the PRC and in Hong Kong.

In relation to the Incident, our Board is of the view that Mr. Richard Cheng is suitable to act as a Director due to the following reasons: (a) Mr. Richard Cheng was not a direct shareholder of Beijing Wenchuang, he does not have any obligation in relation to the liability of Beijing Wenchuang arising from the Incident; (b) Mr. Richard Cheng is a passive investor of Beijing Wenchuang and has not held any role in the management and directorship thereof during the material time of the Incident; (c) Mr. Richard Cheng has never been subject to or assisted in any investigations and/or inquiries and/or any actions taken by any authority in the PRC and in Hong Kong; (d) the Incident did not involve any act of dishonesty, fraud, or wrongful act committed on his part leading to the Incident or raise any concern on the integrity of Mr. Richard Cheng.

Further, each of Mr. Cliff Cheng and Mr. Richard Cheng attended a directors training course provided by our legal advisers as to Hong Kong law relating to the responsibility as a director and continuing obligations of a director of listed companies, and attended a test provided by the Sole Sponsor demonstrating their understanding of the laws and regulations applicable to companies listed in Hong Kong and their directors.

Taking into account the foregoing and the biographies of Mr. Cliff Cheng and Mr. Richard Cheng including their experience in the industry, and after consulting the PRC Legal Advisers and a barrister-at-law in Hong Kong, the Sole Sponsor is satisfied that each of Mr. Cliff Cheng and Mr. Richard Cheng has the character, experience, integrity and the level of competence required of as a director under Rules 3.08 and 3.09 of the Listing Rules and is suitable to act as our Director.

Save as disclosed above, none of our Directors held any directorships in any other listed entities in Hong Kong or overseas within the three years immediately preceding the date of this prospectus, and none of our Directors had any relationship with any other Directors, senior management officers or substantial shareholders. Save as disclosed herein, to the best of the knowledge, there is no other information with respect to the appointment of our directors that needs to be brought to the attention of our shareholders, and there are no matters relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. Wu Qiong (吳瓊), aged 49, 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 30, 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 (趙同亮), aged 32, 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 (周凌芸), aged 33, 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 (劉娜), aged 31, 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.

JOINT COMPANY SECRETARIES

Mr. Pan Honghuang (潘紅煌), aged 33, was appointed as our company secretary on 17 March 2020 and re-designated as our joint company secretary on 19 March 2020, subject to the appointment of Ms. Tang Wing Shan Winza as our joint company secretary taking effect. 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.

Ms. Tang Wing Shan Winza (鄧潁珊) was conditionally appointed as our joint company secretary on 19 March 2020, subject to the grant of waiver from strict compliance with the requirements under Rule 3.28 and 8.12 of the Listing Rules by the Stock Exchange, and that the appointment of Ms. Tang Wing Shan Winza will take effect from the Listing Date.

Ms. Tang is the assistant vice president of the company secretarial services department of Computershare Hong Kong Development Limited, a professional corporate secretarial services provider in Hong Kong. She has more than 10 years of experience in company secretarial services. Ms. Tang has been the company secretary of Republic Healthcare Limited, a company listed on the Stock Exchange (Stock code: 8357) since 17 August 2020. Ms. Tang holds a master's degree in Corporate Governance awarded by London South Bank University and a bachelor's degree in Laws awarded by City University of Hong Kong. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee has three members, namely Mr. Yip Chun On, Mr. Li Shusheng and Mr. Kang Jian, all being our independent non-executive Directors. Mr. Yip Chun On has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. 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.

Remuneration Committee

Our Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee has three members, namely Mr. Li Shusheng, Mr. Richard Cheng and Mr. Yip Chun On. Mr. Li Shusheng has been appointed as the chairman of the Remuneration Committee. The primary duties 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.

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee has three members, namely, Mr. Richard Cheng, Mr. Yip Chun On and Mr. Li Shusheng. Mr. Richard Cheng has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, among other things, making recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration from our Group in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for FY2017, FY2018, FY2019 and 4M2020 were RMB0.1 million, RMB0.1 million, RMB0.5 million and RMB0.2 million, respectively. None of our Directors had waived any remuneration during the same period.

No payment was made by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2020 to be approximately RMB1.2 million.

DIVERSITY

We are committed to promoting the culture of diversity in our Group. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The ultimate decision of the appointment has to 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. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Group, including but not limited to levels at our Board and management. In particular, three out of the five senior management of our Company are female, and that one of our joint company secretaries is also a female. We recognise that there is room for improvement in terms of the gender diversity at our Board and we will strive to enhance the same. In particular, our Nomination Committee will identify and recommend one female candidate to our Board for consideration of her appointment as a Director within two years from the Listing Date. In addition, our Nomination Committee will also from time to time use its best efforts to identify suitable female candidates and recommend the same to our Board for consideration so that our Company will have a pipeline of potential female successors to the Board for ensuring the gender diversity of the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISER

We have appointed Fortune Financial Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the securities of our Company, the possible development of a false market in the securities of our Company or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date. Our Company may terminate the appointment of our compliance adviser by giving a one-month prior written notice to the compliance adviser. Our Company will exercise such a right in compliance with Rule 3A.26 of the Listing Rules.

SHARE CAPITAL OF OUR COMPANY

Assuming the Global Offering has become unconditional, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or which may be allotted and issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below, the authorised and issued share capital of our Company as at the date of this prospectus and shares issued or to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering and the Capitalisation Issue will be as follows:

Authorised share capital:

		Aggregate nominal value *HK$*
750,000,000	Shares of HK$0.01 each	7,500,000

Shares issued or to be issued, fully paid or credited as fully paid:

10,000	Shares in issue as at the date of this prospectus	100
187,490,000	Shares to be issued pursuant to the Capitalisation Issue	1,874,900
62,500,000	Shares to be issued under the Global Offering	625,000
250,000,000	**Total**	**2,500,000**

Assuming the Global Offering has become unconditional and that the Over-allotment Option is exercised in full, the share capital of our Company immediately upon completion of the Global Offering and the Capitalisation Issue will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid:

10,000	Shares in issue as at the date of this prospectus	100
187,490,000	Shares to be issued pursuant to the Capitalisation Issue	1,874,900
62,500,000	Shares to be issued under the Global Offering	625,000
9,375,000	Shares to be issued pursuant to the exercise of the Over-allotment Option	93,750
259,375,000	**Total**	**2,593,750**

RANKING

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares. The Offer Shares will carry the same rights as all Shares in issue or to be issued and, in particular, will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus (save for entitlements to the Capitalisation Issue).

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at all times after Listing, our Group must maintain the minimum prescribed percentage of 25.0% (or such applicable percentage as prescribed by the Stock Exchange) of the issued share capital of our Group in the hands of the public (as defined in the Listing Rules).

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital by special resolution of shareholders. For details, see "2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of our Memorandum of Association and our Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares in that class. For details, see "2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, particulars of which are set out in "A. Further information about our Group — 3. Resolutions in writing of our sole Shareholder passed on 4 September 2020" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, particulars of which are set out in "A. Further Information About Our Group — 3. Resolutions in writing of our sole Shareholder passed on 4 September 2020" and "A. Further Information About Our Group — 6. Repurchase of our own securities" in Appendix IV to this prospectus.

*You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in "Appendix I — Accountant's Report" to this prospectus. Our Group's consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projects depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk factors" of this prospectus.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are a wind power solution and pitch control system provider in the PRC. We primarily engage in the 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. Pitch control system is a critical electrical system in a wind turbine for real-time regulation of the wind turbine generator's rotational speed against the changing wind velocity through control of the blade angle for optimal energy capture and minimisation of potential damages against exceedingly high speed winds. 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 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.

For each of FY2017, FY2018 and FY2019, our total revenue was approximately RMB57.3 million, RMB144.4 million and RMB222.8 million, respectively, representing a CAGR of 97.2% over the three years ended FY2019, while our net profit for the years were approximately RMB7.7 million, RMB27.9 million and RMB42.7 million, respectively, representing a CAGR of 135.5% over the three years ended FY2019.

Our total revenue increased by 39.4% from approximately RMB36.9 million for 4M2019 to approximately RMB51.5 million for 4M2020 whilst our net profit for the period amounted to approximately RMB7.1 million and RMB4.2 million for 4M2019 and 4M2020, respectively.

BASIS OF PRESENTATION AND PREPARATION

The consolidated financial information of our Group for the Track Record Period, which comprised the financial statements of our Company and its subsidiaries, has been prepared in accordance with IFRSs. All intra-group transactions and balances have been eliminated on consolidation. Our Group has adopted all applicable new and revised IFRSs including IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, which are mandatory for the financial year beginning 1 January 2018, and IFRS 16 *Leases*, which is mandatory for the financial period beginning on 1 January 2019, to the Track Record Period. The adoption of these standards did not have a significant impact on financial position and performance of our Group when compared to that of IAS 39 *Financial instruments: Recognition and measurement*, IAS 18 *Revenue* and IAS 17 *Lease*. For more information on the basis of presentation and preparation of the financial information included herein, please see Note 1 to the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

FACTORS AFFECTING OUR FINANCIAL RESULTS

Our results of operations and financial performance have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk factors" in this document and those set out below:

Demand for renewable energy and specifically for wind power energy

Changes in prices of oil, coal, natural gas and other conventional energy sources influence the demand for electricity and for alternative energy sources, including wind power. Since we primarily engage in the R&D, integration, manufacture and sale of high-voltage pitch control systems and related components for wind turbines, our business expansion and revenue growth have depended, and will continue to depend, on demand for renewable energy and specifically wind power energy products. During the Track Record Period, revenue contributed from sales of pitch control system in wind turbines were RMB37.0 million, RMB118.8 million, RMB180.4 million and RMB35.6 million, which accounted for 64.5%, 82.3%, 80.9% and 69.2% of our total revenue for respective years/periods.

According to the F&S Report, the market size of the pitch control system market in the PRC in terms of sales value is expected to grow from RMB2,212.2 million in 2019 to RMB2,338.1 million in 2023 with a CAGR of 1.4%, which is mainly driven by the expected rising demand for wind turbines in the coming years. In particular, a peak of the current industry cycle is also anticipated in 2020 and 2021, amounting to RMB2,916.5 million and RMB3,067.8 million, respectively, as stimulated by the policy namely the Notice on Improving the Policy on On-grid Prices for Wind Power issued in 2019. Besides, 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%.

Accordingly, it is believed that with our R&D and design capabilities and established stable relationships with the upstream and downstream of the value chain, we might be able to leverage on our past experience to capture this growth engine and enlarge our market share.

Sales to our major customers

In the wind power industry supply chain, wind turbine manufacturers are the most common customers of pitch control system manufacturers. According to the F&S Report, due to the high concentration of wind turbine manufacturers in the PRC, which is evident from (i) the limited number of wind turbine manufacturers in the PRC and (ii) the top ten wind turbine manufacturers ranked by newly installed capacity in the PRC having increased their market share from 80.3% in 2014 to 90.0% in 2018, the pitch control system market has become concentrated. As a result, pitch control system manufacturers usually have extremely concentrated customers and wind turbine manufacturers in the PRC generally have one to four pitch control system suppliers according to the F&S Report. As such, majority of our revenue has been derived from a limited number of customers. During the Track Record Period, all of our revenue were generated from our sales to our five largest customers, which amounted to RMB57.3 million, RMB144.4 million, RMB222.8 million and RMB51.5 million for the respective periods. Our profitability and financial position will be affected by our continuing business relationships with these major customers in the future. Any failure to retain our major customers or expand our customer base, as well as material termination of our engagement or material alteration of contract terms, may adversely affect our business, financial conditions and results of operations.

Capital expenditure and R&D capabilities

As we continue to grow our business, we expect to require continued substantial capital expenditure for business operation and expansion. Our capital investments are primarily consisted of capital expenditures relating to payments for the acquisition of property, plant and equipment, which amounted to RMB49.0 million, RMB1.0 million, RMB0.1 million and RMB1.0 million for the Track Record Period, respectively. In anticipation of the growing demand for pitch control system, we had and would continue to expand our production capacity and upgrade our manufacturing facilities, including but not exclusive to relocation of production plant for four quality testing machines in our streamlined production line with annual capacity of 2,408 sets of pitch control systems as at the Latest Practicable Date.

We believed that our R&D capabilities are key to our market position in the PRC; hence, we have kept investment in R&D to enhance our competitiveness. Our R&D efforts focus on integration techniques to produce quality and reliable pitch control systems. We have hence devoted to R&D on (i) the increase of their rated power levels to 12.0 MW for offshore wind power projects, which have a large potential for development according to the F&S Report since (a) offshore wind power projects will be emphasised equally with onshore wind power projects according to the China Wind Energy Roadmap 2050 (《中國風電發展路線圖2050》) issued by the NDRC and IEA; and (b) the volume of wind power resources available for development in coastal areas where water depth is within 50 meters in the PRC amounts to 500 GW (as opposed to 4.4 GW of the accumulated offshore wind power installed capacity by 2018); (ii) upgrades and the lowering of cost of production of ultracapacitors to facilitate after-sales modification and maintenance services; and (iii) the production process and design of the cabinet for the pitch control system, which includes optimising the layout of components and avoidance of electromagnetic compatibility interference. Meanwhile, as the capability and functionality of pitch control systems lie in its software; we have devoted to developing and updating software programmes.

During the Track Record Period, we have recorded research and development expenses of RMB2.1 million, RMB5.4 million, RMB5.4 million and RMB2.3 million, respectively. We intend to continue to focus on improving and nurturing our R&D capabilities in relation to pitch control systems and the wind power industry in general to increase our market share in the wind power solutions offering market.

Taxation

Companies incorporated in the PRC are generally subject to the PRC enterprise income tax at a standard enterprise income tax rate of 25%. Pursuant to the relevant laws and regulations in the PRC, our principal PRC operating subsidiary, Jiangyin Hongyuan, is qualified as a National New High-tech Enterprise and was entitled to a preferential income tax rate of 15% on its assessable profit and its qualification as a National New High-tech Enterprise is valid till 2020 (inclusive).

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, established in the western regions of the PRC, and is entitled to the preferential income tax rate of 15% from its incorporation to 2030.

In addition, 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 our Group, Datang Gucang, which has been approved since 1 January 2008, entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from its respective years in which its first operating income is derived. During the Track Record Period, Datang Gucang 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.

In case we no longer enjoy the aforesaid preferential income tax rate or preferential tax treatment, withdrawal/cancellation of related laws and regulations from the relevant tax authorities or any reason beyond our control, our profitability and results of operations could be materially affected.

Access to and Cost of Financing

We commenced our wind power generation business in 2015 by operating our Duolun Wind Farm in Inner Mongolia, which required significant amount of capital resources. Since our business was in beginning stage, it might not be commercially feasible to us to obtain significant amount of secured borrowings without much collaterals prior to the Track Record Period. As such, prior to and during the Track Record Period, we relied on mix of bank borrowings as well as advances from related parties and third parties to support our business operations. As at 31 December 2017, 2018 and 2019, our total debts, including all interest-bearing bank loans, lease liabilities, loans due to related parties and third parties of our Group, amounted to RMB114.3 million, RMB135.7 million, RMB94.2 million and RMB89.2 million; and we recorded interest expenses of RMB7.1 million, RMB7.7 million, RMB6.8 million and RMB2.0 million for the respective periods. Therefore, despite we have settled our loans due to related parties as at 31 December 2019, any changes in interest rate may affect our cost of financing and thus, our results of operation. In addition, if we are unable to obtain or renew our bank facilities and to fund our operation cost, our results of operation and financial condition may be materially and adversely affected.

Mismatch in turnover days

Our liquidity might be affect by mismatch in turnover days. The average turnover days of trade and bills receivables were 293 days, 245 days, 218 days and 328 days for FY2017, FY2018, FY2019 and 4M2020, respectively; while the average turnover days of trade payables for the respective periods were 145 days, 96 days, 56 days and 70 days. As such, our credit period for payment to our supplier is generally shorter than we offered to customers and thus, our cash inflow and outflow maybe mismatched. In particular, the tariff premium of our wind power generation business involve settlement from various parties, including the Local Power Grid Company and the Inner Mongolia Finance Department, which were beyond our control. During FY2017 and FY2018, despite we had closely monitored our liquidity position when our business operations expanded, we experienced that our cash outflow increases at a faster pace than cash inflow, resulting in net cash used in operating activities of RMB5.8 million and RMB10.7 million for FY2017 and FY2018, respectively. If our liquidity level deteriorates because of the aforesaid mismatch in turnover days or any reason beyond our control, we may curtail or defer our business expansion plans based on the availability of sufficient funds and our ability to make necessary capital expenditure or our development of business opportunities in the future may be limited. As a result, our business, financial condition and results of operations will be materially and adversely affected.

Material costs

During the Track Record Period, material costs are the largest components of our cost of sales and accounted for 65.9%, 82.1%, 88.4% and 86.0% of our total cost of sales, respectively. Any increase in the price of materials would negatively impact our profitability if we are unable to effectively transfer the increased cost resulting from such price increase to our customers through increasing the selling price of our products.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our materials used on our profit before tax during the Track Record Period, assuming the fluctuation of our materials used to be 5% and 10% for the Track Record Period with other variables remained constant:

	Decrease/increase in our profit before tax			
	FY2017	**FY2018**	**FY2019**	**4M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hypothetical fluctuation of materials used				
Hypothetical increase/decrease of 5%	1,267	4,102	6,917	1,639
Hypothetical increase/decrease of 10%	2,533	8,205	13,834	3,277

For the period from early 2016 to mid-2017 during which Jiangyin Hongyuan (one of our principal subsidiaries) was a subcontractor of Shanghai Yingzhen in respect of orders for pitch control systems from Envision Group, Shanghai Yingzhen was responsible for the procurement of raw materials and components. During this period, Shanghai Yingzhen mainly procured pitch drive controllers and pitch motors from KEB Shanghai through Beijing BiTe due to a more favourable credit period offered by Beijing BiTe. Following the end of our subcontracting arrangement with Shanghai Yingzhen in mid-2017, Jiangyin Hongyuan began to procure pitch drive controllers and pitch motors from KEB Shanghai through Beijing BiTe owing to the same reason up till late 2017 where Jiangyin Hongyuan began to directly procure pitch drive controllers and pitch motors from KEB Shanghai. Starting from late 2017, due to our possession of sufficient capital and stable revenue streams and our gradual development into an enterprise with sizable operations, we have shifted our purchase from Beijing BiTe to KEB Shanghai directly. For details, please see "Business — Raw materials and suppliers — Supplier concentration" in this prospectus. We further entered into a binding ten-year framework agreement with KEB Shanghai in December 2019, pursuant to which KEB Shanghai will prioritise to supply 3,600, 3,800, 4,000 and 4,000 sets of core components for high-voltage pitch control system to us for each of the four years ending 31 December 2023, respectively, and the quantities to be supplied on prioritised basis for the remaining term of the framework agreement will be further agreed in the second half of 2023. Despite the aforesaid, in the event that there is an adverse change in our business relationship with KEB Group, or if KEB Shanghai fails to deliver the requisite raw materials to us in accordance with our delivery schedule, and we are unable to procure such materials from alternative suppliers under acceptable commercial terms and in a timely manner, our manufacturing operations of pitch control systems, sales performance and financial results could be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Our Directors have identified certain accounting policies are significant to the preparation of our consolidated financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 2 to the Accountants' Report in Appendix I to this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items, the significant accounting estimates and judgements are set forth in detail in Note 3 to the Accountants' Report in Appendix I to this document. The determination of these items requires management judgements based on information and financial data that may change in future periods.

RESULTS OF OPERATIONS

The following table sets forth selected financial data from our consolidated statements of comprehensive income during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document.

	FY2017	FY2018	FY2019	4M2019	4M2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	57,314	144,424	222,835	36,936	51,482
Cost of sales	(38,443)	(99,921)	(156,438)	(24,811)	(38,087)
Gross profit	18,871	44,503	66,397	12,125	13,395
Other revenue	314	302	555	81	2,252
Other net income	13	81	—	—	(50)
Selling and distribution expenses	(1,291)	(2,171)	(2,598)	(1,309)	(1,037)
Administrative and other operating expenses	(1,804)	(3,642)	(7,707)	(634)	(6,935)
Profit from operations	16,103	39,073	56,647	10,263	7,625
Net finance costs	(7,115)	(7,650)	(6,817)	(2,298)	(1,899)
Share of loss of joint ventures	—	—	(260)	—	(276)
Profit before taxation	8,988	31,423	49,570	7,965	5,450
Income tax	(1,289)	(3,548)	(6,881)	(898)	(1,214)
Profit for the year/period	7,699	27,875	42,689	7,067	4,236
Attributable to:					
— Equity shareholders of the Company	6,401	26,843	42,545	6,977	4,209
— Non-controlling interests	1,298	1,032	144	90	27
Profit the year/period	7,699	27,875	42,689	7,067	4,236

DESCRIPTION OF SELECTED ITEMS IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We are a wind power solution provider in the PRC. We primarily engage in the R&D, integration, manufacturing and sale of pitch control systems for wind turbines. During FY2017 to FY2019, we derived revenue of RMB57.3 million, RMB144.4 million and RMB222.8 million, respectively, representing a CAGR of 97.2% over the three years ended FY2019, and increased by 39.4% from approximately RMB36.9 million for 4M2019 to approximately RMB51.5 million for 4M2020, which is primarily because (i) we evolved from offering integration and assembling services to sale of pitch control systems in mid-2017, (ii) there were substantial increases in orders of pitch control systems from our largest customer; (iii) we secured orders for pitch drive controllers (a core component for pitch control systems) from our new customer in 2019; and (iv) of our successful extension of new services to upgrade and modification works under our wind farm operation and maintenance segment.

The following table sets out the breakdown of our revenue by segment for the periods indicated:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Pitch control system related integration, manufacturing and sales										
— Pitch control systems *(Note)*	36,952	64.5	118,787	82.3	153,085	68.7	27,633	74.8	28,712	55.8
— Major components	—	—	—	—	27,289	12.2	113	0.3	6,918	13.4
Sub-total:	36,952	64.5	118,787	82.3	180,374	80.9	27,746	75.1	35,630	69.2
Wind power generation	19,250	33.6	21,384	14.8	20,211	9.1	7,231	19.6	5,841	11.3
Wind farm operation and maintenance										
— Maintenance services	1,112	1.9	4,253	2.9	5,950	2.7	1,959	5.3	1,811	3.5
— Upgrade and modification works	—	—	—	—	4,217	1.9	—	—	500	1.0
— Supply of consumables	—	—	—	—	9,585	4.3	—	—	7,699	15.0
Sub-total:	1,112	1.9	4,253	2.9	19,752	8.9	1,959	5.3	10,011	19.4
Wind energy related consultancy services	—	—	—	—	2,498	1.1	—	—	—	—
Total	57,314	100.0	144,424	100.0	222,835	100.0	36,936	100.0	51,482	100.0

Note: The relevant revenue for FY2017 includes fees of RMB3.9 million for integration and assembling services of pitch control systems that we offered at the request of customers.

Revenue generated from sales of pitch control system in wind turbines amounted to RMB37.0 million, RMB118.8 million, RMB180.4 million and RMB35.6 million, for FY2017, FY2018, FY2019 and 4M2020, respectively, which accounted for 64.5%, 82.3%, 80.9% and 69.2% of our total revenue for the respective periods. Meanwhile, we have generated revenue from sales of wind power generated from our wind farm, which accounted for 33.6%, 14.8%, 9.1% and 11.3% of our total revenue for the Track Record Period, respectively. For each period of the three years ended FY2019, approximately or less than 10.0% of our revenue was generated from wind farm operation and maintenance services and provision of wind energy related consultancy services.

Pitch control system related integration, manufacturing and sales

During the Track Record Period, we mainly sold our pitch control system to our largest customer, Envision Group, who is one of the largest wind turbine manufacturers in the PRC and the world, and ranked second and fifth, respectively, in terms of newly installed capacity of approximately 4,180.5 MW with market share of 19.8% and 8.4%, respectively, in 2018, according to the F&S Report.

The following table sets out the breakdown of sales of pitch control systems by different rated power levels during the Track Record Period:

	FY2017			FY2018			FY2019			4M2019			4M2020		
Rated power level of pitch control systems we manufactured	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
MW	*RMB'000*	*Sets*	*RMB'000*	*RMB'000*	*Sets*	*RMB'000*	*RMB'000*	*Sets*	*RMB'000*	*RMB'000* (Unaudited)	*Sets*	*RMB'000*	*RMB'000*	*Sets*	*RMB'000*
2.X	29,920	243	123	104,060	913	114	129,031	1,005	128	23,051	214	108	27,272	262	104
3.X	146	1	146	2,105	18	117	8,450	76	111	1,332	12	111	—	—	—
4.X	3,023	21	144	12,622	96	131	15,604	125	125	3,250	26	125	1,440	12	120
Total	33,089	265	125	118,787	1,027	116	153,085	1,206	127	27,633	252	110	28,712	274	105

Note: The above figures for FY2017 excludes fees of RMB3.9 million for integration and assembling services of pitch control systems that we offered at the request of customers.

With the improvement in products we offered and closer cooperation we have established with the customer, we recorded an increasing trend in pitch control systems we manufactured and sold, with the total number of pitch control systems we have sold, which increased from 265 sets for FY2017 to 1,027 sets for FY2018 and 1,206 sets for FY2019 and increased from 252 sets for 4M2019 to 274 sets for 4M2020.

Rated power refers to the output capacity of a wind turbine as per its nameplate. Based on different rated power, our pitch control systems, corresponding with the rated power of wind turbines, can be classified into 1.X MW, 2.X MW, 3.X MW, 4.X MW etc. ("X" can be varied from 1 to 9, for example, 1.X MW refers to 1.1. MW to 1.9 MW). Wind turbines can be built onshore or offshore, and generally offshore wind turbines generally equipped with higher rated power. According to the F&S Report, wind turbine with rated power of 3.X or below supports most of the onshore wind power projects; whereas those at 4.0 MW or above support most of the offshore wind power projects in 2018. Pitch control system of different power levels usually involve different types of raw materials and labour force. Usually, pitch control system of higher power levels require more advanced technology as well as labour force involved, leading to higher selling price in pitch control systems of higher power levels as compared to those of lower power levels. During the Track Record Period, the ASP of our 4.X pitch control systems were RMB144,000, RMB131,000, RMB125,000 and RMB120,000, respectively; whereas those of 2.X pitch control systems were RMB123,000, RMB114,000, RMB128,000 and RMB104,000, respectively.

For the period from early 2016 to mid-2017 during which Jiangyin Hongyuan (one of our principal subsidiaries) was a subcontractor of Shanghai Yingzhen in respect of orders for pitch control systems from Envision Group, Shanghai Yingzhen was responsible for the procurement of raw materials and components. During this period, Shanghai Yingzhen mainly procured pitch drive controllers and pitch motors from KEB Shanghai through Beijing BiTe due to a more favourable credit period offered by Beijing BiTe. Following the end of our subcontracting arrangement with Shanghai Yingzhen in mid-2017, Jiangyin Hongyuan began to procure pitch drive controllers and pitch motors from KEB Shanghai through Beijing BiTe owing to the same reason up till late 2017 where Jiangyin Hongyuan began to directly procure pitch drive controllers and pitch motors from KEB Shanghai. As a result, we have enjoyed relatively lower purchase costs because of economies of scale, which allowed us to adjust to more competitive prices. Accordingly, the overall ASP of pitch control systems we manufactured decreased from RMB125,000 for FY2017 to RMB116,000 for FY2018 as compared to the time we purchased mainly through Beijing BiTe.

Afterwards, the overall ASP of pitch control system we supplied increased to RMB127,000 for FY2019, which is primarily attributable to (a) the increase in ASP from 2.X pitch control systems from RMB114,000 in FY2018 to RMB128,000 in FY2019 as we extended to include ultracapacitors (another core component for pitch control system, representing about 25% to 30% of the costs of raw materials for a full set of pitch control systems) in the list of raw materials to be procured from our end for orders placed by our largest customer during August to December 2019; and (b) the increase in contribution from pitch control systems of higher power levels. In particular, in terms of revenue contributed from 4.X pitch control system, it increased from RMB3.0 million in FY2017 to RMB12.6 million in FY2018 and then RMB15.6 million in FY2019.

While our Group did not sell any ultracapacitor in 4M2019 and 4M2020, the overall ASP of our pitch control system we supplied decreased from RMB110,000 for 4M2019 to RMB105,000 for 4M2020, primarily attributable to (a) the decrease in ASP from 2.X pitch control systems from RMB108,000 in 4M2019 to RMB104,000 in 4M2020 because of relatively competitive prices were offered to enlarge the market share and (b) the increase in contribution from 2.X pitch control systems, which generally entailed relatively lower selling prices, from RMB23.1 million in 4M2019 to RMB27.3 million in 4M2020.

In FY2019, we have successfully commenced business relationship with Shanghai Electric, which is an indirectly owned subsidiary of Shanghai Electric Group, offering them customised pitch drive controllers integrated with our software. We generated revenue of RMB27.3 million and RMB6.9 million by selling one of the major components of pitch control systems, pitch drive controllers, to Shanghai Electric for FY2019 and 4M2020, respectively.

Wind power generation

We own a wind farm in Inner Mongolia, Duolun Wind Farm, which is a centralised wind farm installed with 13 wind turbines with total installed capacity of 19.5 MW, where we sell electricity generated from wind power to or through the Local Power Grid Company and our electricity generated from wind power is admitted to the power grid. During the Track Record Period, our revenue from the generation of electricity from wind power mainly comprises: (1) benchmark on-grid income for our net power generated sold to the Local Power Grid Company settled under benchmark on-grid price for coal-fired power; (2) income from electricity sold and transacted through the multilateral transaction platform of the local power exchange centre under the Local Power Grid Company at the unit price of electricity joining multilateral transactions; and (3) renewable energy tariff premium granted by the PRC Government.

We set out below certain policies and factors affecting our wind power income applicable to our Group.

Wind power sold to the Local Power Grid Company

On 20 July 2009, NDRC issued the Notice on Improving the Policy on On-grid Prices for Wind Power Generation (關於完善風力發電上網電價政策的通知), standardising the administration of wind power price by the means of determining benchmark on-grid prices for wind power by resource regions. Each wind power generation enterprise shall record truly and completely the relevant documents about the on-grid energy, on-grid price and subsidies for the wind power project and accept the supervision and regulation from the competent governmental authorities.

According to the Notice on Improving the Policy on On-grid Prices for Wind Power Generation, as divided as Class I resource region, in most part of Inner Mongolia, including Duolun, the on-grid price for wind farms approved since 20 July 2009 is RMB0.51/kWh (VAT included). Such on-grid price is comprised of (a) the prevailing benchmark on-grid prices for coal-fired power and (b) tariff premium for renewable energy as further elaborated below. Accordingly, any adjustment in the benchmark on-grid price for coal-fired power will affect the subsidised electricity price, as the on-grid price, which is the sum of the aforementioned prices, remains unchanged. Since the on-grid prices for onshore wind power are determined based on (i) the year in which a wind farm is approved by the relevant government authorities or has accomplished grid connection and (ii) the applicable policies in force when a wind farm is developed, the on-grid price of RMB0.51/kWH applicable to our Duolun Wind farm since obtaining the on-grid price approval in 2014 is not affected by the price adjustments stipulated in subsequent policies promulgated by the relevant government authorities in the PRC. The prevailing benchmark on-grid price for coal-fired power is subject to changes by the relevant government authorities from time to time, whereas the rate for renewable energy tariff premium would also be subject to changes which are derived from our wind power on-grid price of RMB0.51/kWh minus the prevailing benchmark on-grid price for coal-fired power.

Wind power sold through multilateral transaction platform

As part of the PRC Government's policy to relieve wind curtailment problem for healthy development of the wind power industry, multilateral power exchange centres were set up to line up large scale electric power users and wind power operators or suppliers, whereby large scale electric power users who satisfy various conditions set by the NEA can purchase electricity directly from wind farm operators at lower costs through the transaction platform maintained by the local multilateral power exchange centre and electric power dispatch control system. To be eligible for participating in the multilateral power exchange centre of Inner Mongolia (a subsidiary of the Local Grid Power Company), an end user shall, among others, be an enterprise having annual power consumption of more than 2 billion kWh whereas electric power suppliers shall be registered and admitted to the list of new energy enterprises of the electric power multilateral market. During the Track Record Period, there were more than 40 large scale electric power users who are eligible to participate in the relevant transactions, and they include among others, mining companies, agricultural companies, salinisation companies, metal alloy companies, chemical engineering companies, etc. To the best information and knowledge of our Directors, the eligible participants are Independent Third Parties.

Renewable energy tariff premium

Our Duolun Wind Farm is entitled to government subsidies, which is not subject to any expiry date under the current PRC laws and regulations according to the PRC Legal Advisers. Pursuant to the Policy on On-grid Prices for Wind Power Generation (關於完善風力發電上網電價政策的通知), the Interim Administrative Measures for Tariff Premium Subsidy Funds for Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) and the Administrative Measures for Tariff Premium Funds for Renewable Energy (可再生能源電價附加資金管理辦法), the government of Inner Mongolia subsidises the local wind power projects from certain supplementary on-grid tariffs, to compensate for the premium of the benchmark on-grid tariff for wind power that we are entitled to, namely the price difference between the on-grid price for wind power and the benchmark on-grid price for coal-fired power. Please see "Regulatory overview — Regulations related to electronic power — Regulations related to pricing" for further details on the relevant policy.

The table below sets out the price determination mechanism and other details affecting the income from our wind power generation business:

		Price determination mechanism and factors affecting pricing	Measurement of volume	Payment settlement
(1)	Coal-fired power benchmark on-grid income	Benchmark on-grid price for coal-fired power (燃煤發電標桿上網電價) announced by NDRC from time to time	Measured by on-grid meter of the Local Power Grid Company	Payable by and settled by the Local Power Grid Company

		Price determination mechanism and factors affecting pricing	Measurement of volume	Payment settlement
(2)	Multilateral transactions wind power income (多邊交易電價收入)	Unit price for electricity joining multilateral transactions (多邊交易電價) as determined by the wind power supplier and the eligible wind power end-users yearly in accordance with the Inner Mongolia Multilateral Transaction Operational Rules (內蒙古電力多邊交易市場運營規則) promulgated by NEA taking into account of the expected wind power supply and demand for electricity, which was substantially lower than the benchmark on-grid price for coal-fired power	The usage of electricity consumed by end users are logged on a daily basis to and the transactions were effected through the multilateral transaction system maintained by the Local Power Grid Company group	Payable by eligible end users joining the multilateral transactions to the Local Power Grid Company who settled the payment to us monthly
(3)	Tariff premium for renewable energy	Tariff premium, deduced by the approved on-grid wind power price minus the benchmark on-grid price for coal-fired power	The total on-grid power measured by the on-grid meter of the Local Power Grid Company	Paid by the relevant governmental authorities who paid the subsidies to the Local Power Grid Company who settled the payment to us upon receipt of the relevant subsidies

The table below sets out the benchmark on-grid price for coal-fire power, rate for renewable energy tariff premiums, benchmark on-grid price for wind power and the unit price for electricity joining multilateral transactions (each with VAT included) for the periods indicated:

	Benchmark on-grid price for coal-fired power (燃煤發電標桿上網電價) (P_B) *RMB/kWh (VAT included)*	**Rate for renewable energy tariff premium (S)** *RMB/kWh (VAT included)*	**Approved benchmark on-grid price for wind power (風電標桿上網電價) (P_B + S)** *RMB/kWh (VAT included)*	**Unit price for electricity joining multilateral transactions (多邊交易電價) (P_M)** *RMB/kWh (VAT included)*
21 December 2016 to 20 July 2017	0.2772	0.2328	0.51	0.0557
21 July 2017 to the Latest Practicable Date	0.2829	0.2271	0.51	0.0557

The following chart illustrates the primary elements of our wind farm operation income:

Revenue for wind power generation = $P_B \times Q_B$ + $P_M \times Q_M$ + $S \times (Q_B + Q_M)$

Q_B = Quantity of electricity settled under benchmark on-grid price for coal-fired power (執行標桿電價的電量)
P_B = Benchmark on-grid price for coal-fired power (燃煤發電標桿上網電價), i.e. RMB0.2829/kWh (VAT included) for FY2019
Q_M = Quantity of electricity joining multilateral transaction (多邊交易的電量)
P_M = Unit price for electricity joining multilateral transaction (多邊交易的電價), i.e. RMB0.0557/kWh (VAT included) for FY2019
S = Subsidised electricity price for renewable energy (補貼電價), i.e. RMB0.2271/kWh (VAT included) for FY2019

*	Benchmark on-grid price	=	benchmark on-grid price for coal-fired power $\mathbf{P_B}$ (標桿電價)	+	subsidised electricity prices for renewable energy **S** (補貼電價)
(i)	Benchmark on-grid income (標桿電價收入)	=	Quantity of electricity settled at benchmark on-grid price for coal-fired power $\mathbf{Q_B}$ (執行標桿電價的電量)	x	Benchmark on-grid price for coal-fired power $\mathbf{P_B}$ (燃煤發電標桿上網電價)
(ii)	Income from electricity joining multilateral transaction (多邊交易電價收入)	=	Quantity of electricity joining multilateral transaction $\mathbf{Q_M}$ (多邊交易的電量)	x	Unit price of electricity joining multilateral transaction $\mathbf{P_M}$ (多邊交易電價)
(iii)	Renewable energy tariff premium (可再生能源補貼)	=	$(\mathbf{Q_B} + \mathbf{Q_M})$	x	**S**
		=	Quantity of electricity settled at benchmark on-grid price for coal-fired power plus quantity of electricity joining multilateral transaction	x	subsidised electricity prices **S** (補貼電價)

During the Track Record Period, we have generated revenue of RMB19.3 million, RMB21.4 million, RMB20.2 million and RMB5.8 million by selling 52.7 GWh, 57.7 GWh, 55.8 GWh and 16.8 GWh of power from our wind farm; resulting in average selling price of respective period of RMB0.366/kWh, RMB0.371/kWh, RMB0.362/kWh and RMB0.348/kWh. Among the electricity that we have generated, as part of it was calculated with reference to benchmark on-grid price for coal-fired power, unit price of electricity joining multilateral transaction in the power exchange center or subsidised electricity price as the case may be, it might not be applicable to directly compare it to the on-grid price of RMB0.51/kWh. The Inner Mongolia Electricity Allocation Control Centre (內蒙古電力調度控制中心) under the Local Power Grid Company has the power to limit and allocate the quantity of the on-grid wind power that may be settled through the approved benchmark on-grid price for wind power with reference to the overall supply and demand of electricity in Inner Mongolia and the safety and stability of the power grid from time to time, which would in turn be affected by the local weather conditions and availability of wind resources. The volume of multilateral transactions would further depend on the demand of the eligible end users, which in turn depends on the economic conditions.

For FY2017, FY2018 and FY2019, the total annual on-grid power generated were 52.6 GWh, 57.7 GWh and 55.8 GWh respectively. Most of the on-grid power, which amounted to 63.7%, 65.3% and 56.8% of the total annual on-grid power generated in the respective periods, were settled under the benchmark on-grid price for coal-fired power with tariff premium. The following table sets out the respective quantity of electricity generated by our Group settled under benchmark on-grid price for coal-fired power and that of joining multilateral transactions and their respective revenue for the Track Record Period:

	Quantity of electricity settled under benchmark on-grid price for coal-fired power	**Revenue generated from electricity settled under benchmark on-grid price for coal-fired power**	**Quantity of electricity joining multilateral transactions**	**Revenue generated from multilateral transactions**
	GWh	*RMB'000*	*GWh*	*RMB'000*
FY2017	33.5	8,026	19.1	863
FY2018	37.7	9,139	20.0	983
FY2019	31.7	7,903	24.1	1,180
4M2019 (Unaudited)	10.1	2,546	11.2	489
4M2020	8.0	2,043	8.8	429

Besides, during the Track Record Period, among the revenue for wind power generation, RMB10.3 million, RMB11.2 million, RMB11.1 million and RMB3.4 million, respectively, were arising from the renewable energy tariff premium in accordance with the 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) while the actual total amount of renewable energy tariff premium in cash and cash equivalents that we have received from the PRC Government for our wind power project were nil, RMB7.9 million, RMB15.5 million and RMB20.3 million, respectively. For discussion on the receipt of payment of renewable energy tariff premium, please refer to the paragraphs headed "Trade and other receivables" in this section for details.

Wind farm operation and maintenance business

To enhance our service offerings, we have also extended our business scope to offer wind farm operation and maintenance services and products including provision of daily maintenance service for wind farms equipment, upgrade and modification of pitch control systems and supply of consumables. Since 2017, we commenced our wind farm operation and maintenance services. For each period of the three years ended FY2019, less than 10.0% of our revenue was generated from wind farm operation and maintenance business, which amounted to RMB1.1 million, RMB4.3 million and RMB19.8 million, for the respective periods. During 4M2020, we have generated revenue of RMB10.0 million from wind farm operation and maintenance business, which amounted for 19.4% of our revenue for 4M2020.

Provision of wind energy related consultancy services

Leveraging our experience in developing the Duolun Wind Farm, as requested by our customer, we provided one-off consultancy services in relation to a wind farm project, which mainly involves advice on (i) site selection; (ii) wind assessment; (iii) selection of wind turbine models; and (iv) wind farm design and construction and contributed revenue of approximately RMB2.5 million in return in FY2019.

By geographical regions

The following table sets out the breakdown of our revenue by geographical locations of our customers in the PRC during the Track Record Period:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Jiangsu Province	36,061	62.9	123,032	85.2	168,143	75.5	29,592	80.1	38,093	74.0
Inner Mongolia	19,250	33.6	21,384	14.8	24,429	11.0	7,231	19.6	6,341	12.3
Shanghai City	2,003	3.5	—	—	27,289	12.2	113	0.3	6,918	13.4
Shanxi Province	—	—	—	—	2,358	1.0	—	—	—	—
Hebei Province	—	—	8	0.0	616	0.3	—	—	30	0.1
Zhejiang Province	—	—	—	—	—	—	—	—	100	0.2
Total	57,314	100.0	144,424	100.0	222,835	100.0	36,936	100.0	51,482	100.0

Cost of sales

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Material costs	25,332	65.9	82,046	82.1	138,341	88.4	19,649	79.2	32,772	86.0
Staff cost	4,738	12.3	8,750	8.8	8,010	5.1	2,130	8.6	2,737	7.2
Depreciation	5,954	15.5	6,397	6.4	6,482	4.1	2,106	8.5	2,082	5.5
Others	2,419	6.3	2,728	2.7	3,605	2.4	926	3.7	496	1.3
Total	38,443	100.0	99,921	100.0	156,438	100.0	24,811	100.0	38,087	100.0

We procured the required raw materials and components and commence the production process and the key core components of pitch control systems are pitch drive controllers, pitch motors and ultracapacitors. During the Track Record Period, materials costs are the largest components of our cost of sales and accounted for 65.9%, 82.1%, 88.4% and 86.0% of our total cost of sales, respectively. In FY2017, major raw materials used in our provision of certain integration and assembling services for pitch control systems were procured by our customer(s) in respect of their pitch control systems orders placed with us; thus, we recorded relatively lower proportion of material costs as a percentage of cost of sales in the same year.

Depreciation represents depreciation of property, plant and equipment for our production process and wind farm operations. Staff costs include wages, social insurance contribution and staff welfare cost for our employees involved. Others mainly included rental, repair and maintenances, taxes and surcharges and other overhead costs.

The following table sets forth a breakdown of our cost of sales by segmentation for the periods indicated:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Pitch control system related integration, manufacturing and sales										
Material costs	25,332	65.9	82,046	82.1	128,969	82.4	19,649	79.2	26,510	69.6
Staff cost	3,234	8.4	4,812	4.8	3,329	2.1	679	2.7	1,650	4.3
Depreciation	36	0.1	147	0.1	180	0.1	59	0.2	70	0.2
Others	735	1.9	1,534	1.5	2,035	1.3	368	1.5	206	0.5
	29,337	76.3	88,539	88.6	134,513	86.0	20,755	83.7	28,436	74.7
Wind power generation										
Material costs	—	—	—	—	—	—	—	—	—	—
Staff cost	493	1.3	780	0.8	697	0.4	177	0.7	223	0.6
Depreciation	5,918	15.4	6,250	6.3	6,302	4.0	2,047	8.3	2,012	5.3
Others	1,684	4.4	1,194	1.2	1,157	0.7	558	2.2	290	0.8
	8,095	21.1	8,224	8.2	8,156	5.2	2,782	11.2	2,525	6.6
Wind farm operation and maintenance										
Material costs	—	—	—	—	9,359	6.0	—	—	6,262	16.4
Staff cost	1,011	2.6	3,158	3.2	3,685	2.4	1,274	5.1	864	2.3
Depreciation	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	387	0.2	—	—	—	—
	1,011	2.6	3,158	3.2	13,431	8.6	1,274	5.1	7,126	18.7
Wind energy related consultancy services										
Material costs	—	—	—	—	13	—	—	—	—	—
Staff cost	—	—	—	—	299	0.2	—	—	—	—
Depreciation	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	26	—	—	—	—	—
	—	—	—	—	338	0.2	—	—	—	—
Total	38,443	100.0	99,921	100.0	156,438	100.0	24,811	100.0	38,087	100.0

The general increasing trend of our cost of sales during the Track Record Period was mainly attributable to the overall increase in our sales volume of our pitch control system; in particular, the underlying material costs involved in our integration and manufacturing process, as well as the commencement of our supply of consumables for wind farm operations in 2019.

Despite 66 – 82% of our cost of sales for the segment of pitch control systems related integration, manufacturing and sales being attributable to materials costs during the Track Record Period, our value-added in producing pitch control systems lies in our technical ability to optimise and integrate the hardware and software used in our products. The relevant self-developed technical know-how and skillsets accumulated through experience in the past could not and have not been reflected as part of our cost of sales by way of amortisation. Since our customers are demanding for more cost-effective and efficient pitch control systems or approach us with additional service requirements and higher thresholds in relation to our wind power solutions, we have devoted resources to our R&D efforts. During the Track Record Period, we have incurred research and development expenses of RMB2.1 million, RMB5.4 million, RMB5.4 million and RMB2.3 million, respectively; which was mainly in related to pitch control system related integration, manufacturing and sales and consists of materials used, depreciation charges of our research equipment, and staff costs of research and development personnel. Such increase was mainly driven by increase in materials used and staff costs of research and development personnel. For details, please refer to the section headed "Business — Research and development" in this document.

As a percentage of revenue, our cost of sales accounted for 67.1%, 69.2%, 70.2% and 74.0% for the Track Record Period, respectively.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin of our Group by segmentation for the periods indicated:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Pitch control system related integration, manufacturing and sales	7,615	20.6	30,248	25.5	45,861	25.4	6,991	25.2	7,194	20.2
Wind power generation	11,155	57.9	13,160	61.5	12,055	59.6	4,449	61.5	3,316	56.8
Wind farm operation and maintenance	101	9.1	1,095	25.7	6,321	32.0	685	35.0	2,885	28.8
Wind energy related consultancy services	—	N/A	—	N/A	2,160	86.5	—	N/A	—	N/A
Total/Overall	18,871	32.9	44,503	30.8	66,397	29.8	12,125	32.8	13,395	26.0

During the Track Record Period, our overall gross profit amounted to RMB18.9 million, RMB44.5 million, RMB66.4 million and RMB13.4 million, respectively; whilst, our overall gross profit margin was 32.9%, 30.8%, 29.8% and 26.0% for the respective period.

Gross profit margin for pitch control system related integration, manufacturing and sales increased from 20.6% for FY2017 to 25.5% for FY2018, mainly because (i) part of the integration and assembling services rendered in FY2017 entailed relatively lower gross profit margin; and (ii) we have successfully lowered the costs of procuring major components for our pitch control system production due to the economies of scale, and then remained stable at 25.4% for FY2019. Gross profit margin for pitch control system related integration, manufacturing and sales decreased from 25.2% for 4M2019 to 20.2% for 4M2020, mainly due to the combined effect of (i) the increase in revenue contribution from major components, which entailed relatively lower gross profit margin as compared to those of pitch control systems; (ii) the time delay in the adjustment of our costs of procuring major components following the decrease in our average selling price of some products, which resulted in a temporary increase in material costs for production; and (iii) the increase in staff costs resulting from additional employees in 4M2020.

Sales of wind power entailed relatively higher gross profit margin than that of pitch control system related integration, manufacturing and sales, primarily due to the fact that, normally, costs needed to generate wind power were fixed in nature that mainly involved depreciation, repair and maintenance and staff costs as compared to other additional costs were needed for other segments. During the Track Record Period, since the scale of our wind farm was relatively stable, we did not record material fluctuation in gross profit margin from our wind power generation segment.

Other revenue

Other revenue mainly represents government subsidies and others. Other revenue amounted to RMB0.3 million, RMB0.3 million, RMB0.6 million and RMB2.3 million for FY2017, FY2018, FY2019 and 4M2020, respectively. During the Track Record Period, we have received government subsidies as encouragement of our contribution in technology development and local economy. For the amounts recognised as other revenue in profit or loss amounted to RMB4,000, RMB0.3 million, RMB0.6 million and RMB0.3 million for the respective periods, there were no unfulfilled conditions or contingencies relating to these grants. Other revenue for FY2017 also include one-off referral fee of RMB0.3 million from Beijing BiTe for the referral of becoming the supplier of lubricants from Supplier E to Envision Group. For further details, please refer to "Business — Our products and services — Wind farm operation and maintenance services — Supply of consumables" in this prospectus. Other revenue for 4M2020 also include VAT refund of RMB1.9 million, as pursuant to Taxation Policy for Encouraging the Development of Software and Integrated Circuits Industry (Guofa [2011] No.4), our revenue from self-developed software incorporated in the pitch control systems and related major components in the PRC was 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. For details, please refer to Note 5 to the Accountants' Report in Appendix I to this prospectus.

Other net income/(expense)

Other net income mainly represents net foreign exchange gains arising from consideration receivable from shareholders for investment in our Group. For details, please refer to the section headed "History, development and Reorganisation" in this prospectus. Other net income amounted to RMB13,000, RMB81,000, and nil for FY2017, FY2018, FY2019, respectively. We have recorded other net expense of RMB50,000 for 4M2020, which represents donation.

Selling and distribution expenses

The following table sets forth a breakdown of our selling expenses for the periods indicated:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Staff costs	314	24.3	983	45.3	956	36.8	375	28.6	317	30.6
Travelling	394	30.5	634	29.2	721	27.8	540	41.3	59	5.7
Office expenses	24	1.9	71	3.3	228	8.8	146	11.2	36	3.5
Logistics	559	43.3	456	21.0	650	25.0	209	16.0	326	31.4
Others	—	—	27	1.2	43	1.6	39	2.9	299	28.8
Total	1,291	100.0	2,171	100.0	2,598	100.0	1,309	100.0	1,037	100.0

Selling expenses primarily comprise (i) staff costs of our sales and marketing staff, (ii) travelling, (iii) office expenses, (iv) logistics, and (v) others.

As a percentage of total revenue, our selling and distribution expenses accounted for 2.3%, 1.5%, 1.2% and 2.0% for the Track Record Period, respectively.

Administrative and other operating expenses

The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	FY2017		FY2018		FY2019		4M2019		4M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Staff costs	557	30.9	1,150	31.6	1,777	23.0	680	107.1	855	12.3
Professional fees	347	19.2	275	7.5	192	2.5	67	10.6	73	1.1
Office expenses	301	16.7	340	9.3	391	5.1	32	5.0	106	1.5
Travelling	132	7.3	633	17.4	143	1.9	28	4.4	18	0.3
Office relocation expenses	—	—	538	14.8	—	—	—	—	—	—
Impairment loss on trade and other receivables	330	18.3	441	12.1	146	1.9	(204)	(32.1)	(258)	(3.7)
Listing expenses	—	—	—	—	4,860	63.1	—	—	5,716	82.4
Others	137	7.6	265	7.3	198	2.5	31	5.0	425	6.1
Total	1,804	100.0	3,642	100.0	7,707	100.0	635	100.0	6,936	100.0

Administrative and other operating expenses primarily comprise (i) staff costs for our administrative functions, (ii) professional fees, (iii) office expenses, (iv) travelling, (v) office relocation expenses, (vi) impairment loss on trade and other receivables, (vii) listing expenses and (viii) others.

As a percentage of total revenue, our administrative and other operating expenses accounted for 3.2%, 2.5%, 3.5% and 13.5% during the Track Record Period.

Share of loss of joint ventures

Our share of loss of joint ventures represented our share of profit and loss in our joint ventures, which were set up with partners, primarily for our distributed wind power generation business. For details, please refer to the subsection headed "History, development and Reorganisation — Joint venture companies" in this prospectus. In FY2019 and 4M2020, our share of loss of joint ventures amounted to RMB0.3 million and RMB0.3 million, respectively.

Net finance costs

The following table sets forth a breakdown of our net finance costs for the periods indicated:

	FY2017	**FY2018**	**FY2019**	**4M2019**	**4M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expenses on bank loans	2,574	3,391	2,928	795	779
Interest expenses on loans due to related parties	118	246	144	77	—
Interest expenses on loans due to third parties	4,163	3,684	3,389	1,250	1,045
Interest expenses on lease liabilities	—	34	59	21	15
Others	288	302	317	157	118
	7,143	7,657	6,837	2,300	1,957
Interest income	(28)	(7)	(20)	(2)	(58)
Net finance costs	7,115	7,650	6,817	2,298	1,899

Our net finance costs mainly represent interest expenses on bank loans, loans due to related parties and third parties and interest expenses on lease liabilities and our finance income mainly represents bank interest income. For details of our borrowings, please refer to the sub-section headed "Indebtedness" in this section.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Island/BVI profits tax

Our Group has not been subject to any profit tax in the Cayman Island/BVI.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong for the relevant years during the Track Record Period.

(iii) PRC corporate income tax

Pursuant to the EIT Law, our PRC subsidiary is subject to enterprise income tax at a statutory rate of 25% on the assessable income derived during the Track Record Period. However, our principal PRC operating subsidiary, Jiangyin Hongyuan, is qualified as a National New High-tech Enterprise and was entitled to a preferential income tax rate of 15% on its assessable profit and its qualification as a National New High-tech Enterprise is valid till 2020 (inclusive).

Pursuant to Caishui [2011] No.58 Notice on Tax Policies for Further Implementation of Western Regions Development Strategy and Caishui [2020] No. 23, Datang Gucang, established in the western regions of the PRC, and is entitled to the preferential income tax rate of 15% from its incorporation to 2030.

In addition, 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 our Group, Datang Gucang, which has been approved since 1 January 2008, entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from its respective years in which its first operating income is derived. During the Track Record Period, Datang Gucang 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.

For FY2017, FY2018 and FY2019, our income tax expenses were RMB1.3 million, RMB3.5 million and RMB6.9 million, respectively; and our effective tax rate for the same period was 14.3%, 11.3% and 13.9%, respectively. The increase in our effective tax rate in FY2019 was primarily due to the combined effect of (i) Listing expenses of approximately RMB4.9 million being recorded for the same period, which was partially not tax deductible; and (ii) Datang Gucang, wind farm of our Group, was entitled to a preferential income tax rate of 7.5% for 2019 instead of full exemption for 2018.

For 4M2019 and 4M2020, our income tax expenses were RMB0.9 million and RMB1.2 million, respectively; and our effective tax rate for the same period was 11.3% and 22.3%, respectively. The increase in our effective tax rate in 4M2020 was primarily due to Listing expenses of approximately RMB5.7 million being recorded for the same period, which was partially not tax deductible.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

Profit for the year/period

Our profit for the year/period consists of our gross profit plus other revenue, other net income/(expense), less selling and distribution expenses and administrative and other operating expenses, net finance costs and income tax expenses. Our profit for the year/period amounted to RMB7.7 million, RMB27.9 million, RMB42.7 million and RMB4.2 million for FY2017, FY2018, FY2019 and 4M2020, respectively, representing net profit margin of 13.4%, 19.3%, 19.2% and 8.2%, respectively.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Comparison of 4M2020 to 4M2019

Revenue

Our revenue increased by RMB14.6 million or 39.4% from RMB36.9 million for 4M2019 to RMB51.5 million for 4M2020, as a result of increase in revenue from pitch control system related integration, manufacturing and sales and wind farm operation and maintenance business.

Revenue from pitch control system related integration, manufacturing and sales

Our revenue from pitch control system related integration, manufacturing and sales increased by RMB7.9 million or 28.4% from RMB27.7 million for 4M2019 to RMB35.6 million for 4M2020, mainly due to the combined effect of (i) continuous increase in sales of our major components, customised pitch drive controllers to our new customers, Shanghai Electric and Zhejiang Windey, of approximately RMB6.8 million; and (ii) increase in revenue from pitch control systems of approximately RMB1.1 million. Such increase in revenue from pitch control systems was mainly driven by the combined effect of:

(a) *the increase in quantity sold of different power levels:* which in total increased from 252 sets for 4M2019 to 274 sets for 4M2020; whilst

(b) *the decreased in overall ASP of pitch control systems:* which decreased from RMB110,000 for 4M2019 to RMB105,000 for 4M2020, primarily attributable to (i) the decrease in ASP from 2.X pitch control systems from RMB108,000 in 4M2019 to RMB104,000 in 4M2020 because of relatively competitive prices were offered to enlarge the market share and (ii) the increase in contribution from 2.X pitch control systems, which generally entailed relatively lower selling prices, from RMB23.1 million in 4M2019 to RMB27.3 million in 4M2020.

Revenue from wind power generation

Our revenue from wind power generation decreased by RMB1.4 million or 19.2% from RMB7.2 million for 4M2019 to RMB5.8 million for 4M2020, in line with power generated, which decreased from 21.3 GWh for 4M2019 to 16.8 GWh for 4M2020, mainly due to relatively lower amount of electricity being generated for January 2020 and February 2020 as compared to that of 2019 as a result of the outbreak of COVID-19.

Revenue from wind farm operation and maintenance service

Our revenue from wind farm operation and maintenance service increased by RMB8.0 million or 411.0% from RMB2.0 million for 4M2019 to RMB10.0 million for 4M2020, mainly due to increase in supply of consumables to our customers, which increased from nil for 4M2019 to RMB7.7 million for 4M2020.

Cost of sales

Cost of sales increased by RMB13.3 million or 53.5% from RMB24.8 million for 4M2019 to RMB38.1 million for 4M2020. Such increase was mainly due to increase in material costs, generally in line with the increase in revenue, which increased from RMB19.6 million for 4M2019 to RMB32.8 million for 4M2020.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB1.3 million or 10.5% from RMB12.1 million for 4M2019 to RMB13.4 million for 4M2020. Our gross profit margin accounted for 32.8% for 4M2019 and 26.0% for 4M2020, respectively.

Gross profit and gross profit margin from pitch control system related integration, manufacturing and sales

Our gross profit for pitch control system related integration, manufacturing and sales amounted to RMB7.0 million and RMB7.2 million for 4M2019 and 4M2020, respectively, representing gross profit margin of 25.2% and 20.2% for the respective periods. Such decrease was primarily attributable to the combined effect of (i) the increase in revenue contribution from major components, which entailed relatively lower gross profit margin as compared to those of pitch control systems; (ii) the time delay in the adjustment of our costs of procuring major components following the decrease in our average selling price of some products, which resulted in a temporary increase in material costs for production; and (iii) the increase in staff costs resulting from additional employees in 4M2020.

Gross profit and gross profit margin from wind power generation

Our gross profit for wind power generation amounted to RMB4.4 million and RMB3.3 million for 4M2019 and 4M2020, respectively, representing gross profit margin of 61.5% and 56.8% for the respective periods. Such decrease was mainly driven by the decrease in revenue generated because of relatively lower amount of electricity being generated for January 2020 and February 2020 as compared to that of 2019 as a result of outbreak of COVID-19 whilst the relevant costs were fixed in nature.

Gross profit and gross profit margin from wind farm operation and maintenance

Our gross profit for wind farm operation and maintenance amounted to RMB0.7 million and RMB2.9 million for 4M2019 and 4M2020, respectively, representing gross profit margin of 35.0% and 28.8% for the respective periods. Such decrease was mainly due to the increase in contribution from supply of consumables in 4M2020, which entailed relatively lower gross profit margin as compared to those of other services.

Other revenue

Other revenue increased from RMB81,000 for 4M2019 to RMB2.3 million for 4M2020. Such increase was mainly due to (i) the increase in VAT refund of RMB1.9 million in 4M2020 as compared to nil in 4M2019 and (ii) the increase in government grants to RMB0.3 million in 4M2020 as compared to RMB81,000 in 4M2019. For details of VAT refund, please refer to Note 5 to the Accountants' Report in Appendix I to this prospectus.

Other net expense

We recorded other net expense of RMB50,000 in 4M2020 as compared to nil in 4M2019, mainly due to the donation made in 4M2020.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB0.3 million or 20.8% from RMB1.3 million for 4M2019 to RMB1.0 million for 4M2020. The decrease was primarily due to the decrease in travelling of RMB0.5 million because of the outbreak of COVID-19.

Administrative and other operating expenses

Administrative and other operating expenses increased by RMB6.3 million or 993.8% from RMB0.6 million for 4M2019 to RMB6.9 million for 4M2020. The increase was primarily due to the combined effect of (i) the increase in listing expense of RMB5.7 million in 4M2020 as compared to nil in 4M2019 and (ii) the increase in various administrative expenses such as staff costs.

Net finance costs

Net finance costs decreased by RMB0.4 million from RMB2.3 million for 4M2019 to RMB1.9 million for 4M2020, mainly due to the decrease in interest expenses on bank loans and loans due to third parties. For details of our borrowings, please refer to the sub-section headed "Indebtedness" in this section.

Income tax expense

Income tax expense increased by RMB0.3 million or 35.2% from RMB0.9 million for 4M2019 to RMB1.2 million for 4M2020, in line with the increase in our profit before tax. Our effective tax rate increased from 11.3% for 4M2019 to 22.3% for 4M2020, primarily due to the non-recurring Listing expenses of approximately RMB5.7 million incurred for 4M2020, which was partially not tax deductible.

Profit for the period

As a result of the foregoing, profit for the period decreased by RMB2.9 million or 40.1% from RMB7.1 million for 4M2019 to RMB4.2 million for 4M2020 and our net profit margin decreased from 19.1% for 4M2019 to 8.2% for 4M2020.

Comparison of FY2019 to FY2018

Revenue

Our revenue increased by RMB78.4 million or 54.3% from RMB144.4 million for FY2018 to RMB222.8 million for FY2019, as a result of the increase in revenue from pitch control system related integration, manufacturing and sales and wind farm operation and maintenance business.

Revenue from pitch control system related integration, manufacturing and sales

Our revenue from pitch control system related integration, manufacturing and sales increased by RMB61.6 million or 51.8% from RMB118.8 million for FY2018 to RMB180.4 million for FY2019, mainly due to the combined effect of (i) the increase in revenue from pitch control systems and (ii) sales of customised pitch drive controllers to new customer, Shanghai Electric. Such increase in revenue from pitch control systems was mainly driven by the combined effect of:

(a) *the increase in quantity sold of different power levels*: which in total increased from 1,027 sets for FY2018 to 1,206 sets for FY2019; and

(b) *the increase in overall ASP of pitch control systems*: which increased from RMB116,000 for FY2018 to RMB127,000 for FY2019, primarily attributable to (i) the increase in products entailing higher selling prices because we extended to include ultracapacitors (another core component for pitch control system, representing about 25% to 30% of the costs of raw materials for a full set of pitch control systems) in the list of raw materials to be procured from our end for orders placed by our largest customer during August to December 2019; and (ii) the increase in contribution from pitch control systems of higher power levels.

Revenue from wind power generation

Our revenue from wind power generation decreased slightly by RMB1.2 million or 5.5% from RMB21.4 million for FY2018 to RMB20.2 million for FY2019, in line with power generated, which decreased from 57.7 GWh for FY2018 to 55.8 GWh for FY2019.

Revenue from wind farm operation and maintenance service

Our revenue from wind farm operation and maintenance service increased by RMB15.5 million or 364.4% from RMB4.3 million for FY2018 to RMB19.8 million for FY2019, which was mainly due to additional services provided to our customers as compared to 2018, including upgrade and modification works and supply of consumables.

Revenue from provision of wind energy related consultancy services

In FY2019, as requested by our customer, we provided wind energy related consultancy services by advising on a wind farm project and recorded revenue of approximately RMB2.5 million in the same year.

Cost of sales

Cost of sales increased by RMB56.5 million or 56.6% from RMB99.9 million for FY2018 to RMB156.4 million for FY2019. Such increase was mainly due to the increase in material costs, generally in line with the increase in revenue, which increased from RMB82.0 million for FY2018 to RMB138.3 million for FY2019.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB21.9 million or 49.2% from RMB44.5 million for FY2018 to RMB66.4 million for FY2019. Our gross profit margin accounted for 30.8% for FY2018 and 29.8% for FY2019, respectively.

Gross profit and gross profit margin from pitch control system related integration, manufacturing and sales

Our gross profit for pitch control system related integration, manufacturing and sales amounted to RMB30.2 million and RMB45.9 million for FY2018 and FY2019, respectively, representing gross profit margin of 25.5% and 25.4% for the respective periods, which was relatively stable, primarily attributable to the increase in costs needed for additional components and other components in the pitch control systems, being partially offset by the increase in the overall ASP of pitch control systems.

Gross profit and gross profit margin from wind power generation

Our gross profit for wind power generation amounted to RMB13.2 million and RMB12.1 million for FY2018 and FY2019, respectively, representing gross profit margin of 61.5% and 59.6% for the respective periods, which was relatively stable.

Gross profit and gross profit margin from wind farm operation and maintenance

Our gross profit for wind farm operation and maintenance amounted to RMB1.1 million and RMB6.3 million for FY2018 and FY2019, respectively, representing gross profit margin of 25.7% and 32.0% for the respective periods. Such increase was mainly due to new services, upgrade and modification works, being provided in FY2019, which entailed relatively higher gross profit margin.

Gross profit and gross profit margin from provision of wind energy related consultancy services

In FY2019, as requested by one of our customers, we provided wind energy related consultancy services and recorded gross profit of approximately RMB2.2 million in FY2019 by advising on one wind farm project, whose gross profit margin was 86.5%.

Other revenue

Other revenue, which mainly represents government grants, remained stable at RMB0.3 million for FY2018 and RMB0.6 million for FY2019.

Other net income

Other net income decreased from RMB81,000 for FY2018 to nil for FY2019. The decrease was mainly due to the absence of net foreign exchange gains.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.4 million or 19.7% from RMB2.2 million for FY2018 to RMB2.6 million for FY2019. The increase was primarily due to the increase in travelling and logistics to support our business needs.

Administrative and other operating expenses

Administrative and other operating expenses increased by RMB4.1 million or 111.6% from RMB3.6 million for FY2018 to RMB7.7 million for FY2019. The increase was primarily due to the combined effect of (i) the increase in listing expense of RMB4.9 million in FY2019 as compared to nil in FY2018 and (ii) the increase in various administrative expenses such as staff costs, being partially offset by (iii) the absence of office relocation expenses in FY2019 as compared to RMB0.5 million for FY2018.

Net finance costs

Net finance costs decreased by RMB0.8 million from RMB7.7 million for FY2018 to RMB6.8 million for FY2019, mainly due to the decrease in interest expenses on bank loans and loans due to third parties. For details of our borrowings, please refer to the sub-section headed "Indebtedness" in this section.

Income tax expense

Income tax expense increased by RMB3.3 million or 93.9% from RMB3.5 million for FY2018 to RMB6.9 million for FY2019, in line with the increase in our profit before tax. Our effective tax rate increased from 11.3% for FY2018 to 13.9% for FY2019. The increase in our effective tax rate in FY2019 was primarily due to the combined effect of (i) Listing expenses of approximately RMB4.9 million being recorded for the same period, which was partially not tax deductible; and (ii) Datang Gucang, wind farm of our Group, was entitled to a preferential income tax rate of 7.5% for 2019 instead of full exemption for 2018.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB14.8 million or 53.1% from RMB27.9 million for FY2018 to RMB42.7 million for FY2019. Our net profit margin remained stable at 19.3% for FY2018 to 19.2% for FY2019.

Comparison of FY2018 to FY2017

Revenue

Our revenue increased by RMB87.1 million or 152.0% from RMB57.3 million for FY2017 to RMB144.4 million for FY2018, mainly driven by the increase in revenue from pitch control system related integration, manufacturing and sales.

Revenue from pitch control system related integration, manufacturing and sales

Our revenue from pitch control system related integration, manufacturing and sales increased by RMB81.8 million or 221.5% from RMB37.0 million for FY2017 to RMB118.8 million for FY2018, mainly due to:

(a) *the increase in quantity of pitch control systems of different power levels:* which in total increased from 265 sets for FY2017 to 1,027 sets for FY2018, driven by our effort in maintaining a mutually beneficial relationship with Envision Group and enlarging the amount of pitch control systems procured by them; whilst

(b) *the decrease in overall ASP of pitch control systems:* which decreased from RMB125,000 for FY2017 to RMB116,000 for FY2018, mainly because of competitive pricing we offered resulting from lower purchase costs from suppliers driven by economies of scale we enjoyed.

Revenue from wind power generation

Our revenue from sales of wind power generation increased by RMB2.1 million or 11.1% from RMB19.3 million for FY2017 to RMB21.4 million for FY2018, in line with power generated, which increased from 52.6 GWh for FY2017 to 57.7 GWh for FY2018.

Revenue from provision of wind farm operation and maintenance service

Since 2017, we commenced our wind farm operation and maintenance services. Our revenue from provision of wind farm operation and maintenance service increased by RMB3.1 million or 282.5% from RMB1.1 million for FY2017 to RMB4.3 million for FY2018.

Cost of sales

Cost of sales increased by RMB61.5 million or 159.9% from RMB38.4 million for FY2017 to RMB99.9 million for FY2018. Such increase was mainly due to increase in material cost and staff costs, generally in line with the increase in revenue. In particular, our material costs increased from RMB25.3 million for FY2017 to RMB82.0 million for FY2018.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB25.6 million or 135.8% from RMB18.9 million for FY2017 to RMB44.5 million for FY2018. Our overall gross profit margin decreased from 32.9% for FY2017 to 30.8% for FY2018.

Gross profit and gross profit margin from pitch control system related integration, manufacturing and sales

Our gross profit for pitch control system related integration, manufacturing and sales amounted to RMB7.6 million and RMB30.2 million for FY2017 and FY2018, respectively, representing gross profit margin of 20.6% and 25.5% for the respective periods.

The increase in gross profit margin was primarily attributable to the combined effect of (i) the integration and assembling services rendered in FY2017 entailed relatively lower gross profit margin; and (ii) we have successfully lowered the costs of procuring major components for our pitch control system production due to the economies of scale in FY2018.

Gross profit and gross profit margin from wind power generation

Our gross profit for wind power generation amounted to RMB11.2 million and RMB13.2 million for FY2017 and FY2018, respectively, representing gross profit margin of 57.9% and 61.5% for the respective periods.

Gross profit and gross profit margin from wind farm operation and maintenance

Our gross profit for wind farm operation and maintenance amounted to RMB0.1 million and RMB1.1 million for FY2017 and FY2018, respectively, representing gross profit margin of 9.1% and 25.7% for the respective periods. As we commenced offering wind farm operation and maintenance services in 2017, we recorded relatively lower gross profit margin for this segment in the beginning stage for FY2017.

Other revenue

Other revenue remained relatively stable at RMB0.3 million for FY2017 and FY2018, primarily attributable to (i) the increase in government subsidies of RMB0.3 million in FY2018 being partially offset by (ii) the absence of one-off referral fee income from our supplier for referring business opportunities of RMB0.3 million from Beijing BiTe in relation to becoming the supplier of lubricants from Supplier E to Envision Group in FY2018 whilst we recorded the same in FY2017. For further details, please refer to "Business — Our products and services — Wind farm operation and maintenance services — Supply of consumables" in this prospectus.

Other net income

Other net income increased from RMB13,000 for FY2017 to RMB81,000 for FY2018, primarily attributable to the increase in foreign exchange gains arising from consideration receivable from shareholders for investment in our Group.

Selling and distribution expenses

Selling and distribution expenses increased by RMB0.9 million or 68.2% from RMB1.3 million for FY2017 to RMB2.2 million for FY2018. The increase was primarily due to the increase in employee benefit costs of sales and marketing staff as well as travelling in related to our expanded business scale.

Administrative and other operating expenses

Administrative and other operating expenses increased by RMB1.8 million or 101.9% from RMB1.8 million for FY2017 to RMB3.6 million for FY2018. The increase was primarily due to combined effect of (i) the increase in office relocation expenses of RMB0.5 million and (ii) the increase in various items of our administrative expenses to cater for our expanded business scale. In particular, our employee benefit cost increased by RMB0.6 million, mainly due to increased number of staff as well as increase in average salaries, bonuses and allowances per staff.

Net finance costs

Net finance costs remained stable at RMB7.1 million for FY2017 and RMB7.7 million for FY2018, mainly due to the increase in interest expenses on bank loans during the period being partially offset by the decrease in interest expenses on loans due to third parties. For details of our borrowings, please refer to the sub-section headed "Indebtedness" in this section.

Income tax expense

Income tax expense increased by RMB2.3 million from RMB1.3 million for FY2017 to RMB3.5 million for FY2018, in line with the increase in our profit before tax. Our effective tax rate decreased from 14.3% for FY2017 to 11.3% for FY2018, primarily attributable to various preferential tax treatment we enjoyed including (i) additional deductions for research and development expenses, which increased from RMB0.2 million for FY2017 to RMB1.0 million for FY2018, and (ii) the effect of PRC tax concessions obtained, which increased from RMB1.6 million for FY2017 to RMB4.1 million for FY2018.

Profit for the year

As a result of the foregoing, profit for the year increased by RMB20.2 million or 262.1% from RMB7.7 million for FY2017 to RMB27.9 million for FY2018. Our net profit margin increased from 13.4% for FY2017 to 19.3% for FY2018.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our liquidity and capital requirements primarily through a combination of capital contributions from internally generated funds from our operating activities, bank borrowings, advances from related parties and third parties.

We require cash primarily for our operation, general working capital needs and capital expenditure. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from our operations, the net proceeds from the Global Offering, bank balances, cash and other possible equity and debt financing as and when appropriate.

Cash flows of our Group

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the Track Record Period:

	FY2017	FY2018	FY2019	4M2019	4M2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
— Operating cash flows before working capital changes	22,381	45,834	63,287	12,220	9,582
— Changes in working capital	(28,134)	(54,105)	5,553	(7,313)	2,619
— Income tax paid	(15)	(2,416)	(5,423)	(3,431)	(4,692)
Net cash (used in)/generated from operating activities	(5,768)	(10,687)	52,311	1,476	7,509
Net cash used in investing activities	(48,935)	(3,741)	(1,115)	(82)	(474)
Net cash generated from/(used in) financing activities	54,543	14,565	(17,766)	10,426	(6,160)
Net (decrease)/increase in cash and cash equivalents	(160)	137	33,430	11,820	875
Cash and cash equivalents at the beginning of the year/period	2,225	2,065	2,202	2,202	35,632
Cash and cash equivalents at the end of the year/period	2,065	2,202	35,632	14,022	36,507

Net cash (used in)/generated from operating activities

Our cash inflow from operating activities is principally derived from the receipt of proceeds for our sales of our products and rendering of services. Our cash outflow from operating activities comprised mainly purchases of inventories and payment for various operating expenses.

During the Track Record Period, our credit period for payment to our supplier is generally shorter than we offered to customers and thus, our cash inflow and outflow maybe mismatched. In particular, the tariff premium of our wind power generation business involve settlement from various parties, including the Local Power Grid Company and the Inner Mongolia Finance Department, which were beyond our control. Despite we recorded substantial growth in business during the Track Record Period, such cash flow mismatch may lead to cash outflow of operating activities.

For 4M2020, we had net cash generated from operating activities of RMB7.5 million. This amount represents profit before income tax of RMB5.5 million, adjusted for (i) certain expenses, mainly included depreciation of RMB2.2 million and net finance cost of RMB1.9 million, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included changes in trade and other receivables of RMB9.6 million and changes in trade and other payables of RMB18.0 million, being partially offset by (iii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in inventories of RMB19.9 million and increase in pledged deposits of RMB5.1 million and (iv) income tax paid of RMB4.7 million.

For 4M2019, we had net cash generated from operating activities of RMB1.5 million. This amount represents profit before income tax of RMB8.0 million, adjusted for (i) certain expenses, mainly included depreciation of RMB2.2 million and net finance cost of RMB2.3 million, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included changes in inventories of RMB1.1 million and changes in trade and other receivables of RMB1.6 million, being partially offset by (iii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in trade and other payables of RMB10.0 million and (iv) income tax paid of RMB3.4 million.

For FY2019, we had net cash generated from operating activities of RMB52.3 million. This amount represents profit before income tax of RMB49.6 million, adjusted for (i) certain expenses, mainly included depreciation of RMB6.5 million and net finance cost of RMB6.8 million, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included changes in trade and other payables of RMB30.1 million, being partially offset by (iii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in inventories of RMB3.5 million, changes in trade and other receivables of RMB25.6 million, and (iv) increase in pledged deposits of RMB6.6 million, and (v) income tax paid of RMB5.4 million.

For FY2018, we had net cash used in operating activities of RMB10.7 million. This amount represents profit before income tax of RMB31.4 million, adjusted for (i) certain expenses, mainly included depreciation of RMB6.4 million and net finance cost of RMB7.7 million, being partially offset by (ii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in inventories of RMB3.6 million, changes in trade and other receivables of RMB45.0 million and changes in trade and other payables of RMB5.5 million and (iii) income tax paid of RMB2.4 million.

For FY2017, we had net cash used in operating activities of RMB5.8 million. This amount represents profit before income tax of RMB9.0 million, adjusted for (i) certain expenses, mainly included depreciation of RMB6.0 million and net finance costs of RMB7.1 million, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included changes in trade and other payables of RMB23.7 million, being partially offset by (iii) changes in certain working capital items that negatively affected operating cash flow, mainly included changes in inventories of RMB2.0 million and changes in trade and other receivables of RMB49.9 million and (iv) income tax paid of RMB15,000.

Net cash used in investing activities

Our cash inflow from investing activities primarily consists of interest received. Our cash outflow from investing activities primarily consists of payment for acquisition of subsidiaries, property, plant and equipment and payment for interest in joint ventures.

For 4M2020, we had net cash used in investing activities of RMB0.5 million, which primarily consists of payment for acquisition of property, plant and equipment of RMB1.0 million, partially offset by the proceeds from deregistration of joint ventures of RMB0.5 million and the interest received of RMB58,000.

For 4M2019, we had net cash used in investing activities of RMB82,000, which primarily consists of payment for acquisition of property, plant and equipment of RMB84,000, partially offset by the interest received of RMB2,000.

For FY2019, we had net cash used in investing activities of RMB1.1 million, which primarily consists of payment for acquisition of property, plant and equipment of RMB0.1 million and capital injection in joint ventures of RMB1.0 million, partially offset by the interest received of RMB20,000.

For FY2018, we had net cash used in investing activities of RMB3.8 million, which primarily consists of payment for acquisition of non-controlling interests of RMB2.7 million, payment for acquisition of property, plant and equipment of RMB1.0 million, partially offset by the interest received of RMB7,000.

For FY2017, we had net cash used in investing activities of RMB48.9 million, which primarily consists of payment for acquisition of property, plant and equipment of RMB49.0 million, partially offset by the interest received of RMB28,000.

Net cash generated from/(used in) financing activities

Our cash inflow from financing activities primarily consists of proceeds from borrowings, capital injection from non-controlling shareholders of subsidiaries and interest received. Our cash outflow from financing activities mainly consists of repayment of borrowings, capital element and interest element of lease rentals paid and interest paid.

For 4M2020, we had net cash used in financing activities of RMB6.2 million, which primarily consists of (i) net repayment of bank loans of RMB4.9 million, (ii) interest paid of RMB1.1 million and (iii) capital element and interest element of lease rentals paid in aggregate of RMB0.1 million.

For 4M2019, we had net cash generated from financing activities of RMB10.4 million, which primarily consists of (i) net proceeds from loans from related parties of RMB14.3 million, (ii) net proceeds from bank loans of RMB4.9 million, being partially offset by (iii) deemed dividends paid to controlling shareholder of RMB4.1 million, (iv) net repayment of loans due to third parties of RMB3.9 million, (v) interest paid of RMB0.7 million and (vi) capital element and interest element of lease rentals paid in aggregate of RMB0.1 million.

For FY2019, we had net cash used in financing activities of RMB17.8 million, which primarily consists of (i) net repayment of loans due to third parties of RMB12.1 million, (ii) interest paid of RMB4.3 million, (iii) capital element and interest element of lease rentals paid in aggregate of RMB0.3 million and (iv) deemed dividends paid to controlling shareholder of RMB4.1 million, being partially offset by (v) net proceeds from loans from related parties of RMB2.2 million, (vi) net proceeds from bank loans of RMB0.5 million and (vii) capital injection from non-controlling shareholders of subsidiaries of RMB0.4 million.

For FY2018, we had net cash generated from financing activities of RMB14.6 million, which primarily consists of (i) net proceeds from new loans from related parties of RMB23.5 million, (ii) net proceeds from new loans from third parties of RMB11.6 million being partially offset by (iii) net repayment of bank loans of RMB14.9 million, (iv) interest paid of RMB5.2 million and (v) capital element and interest element of lease rentals paid in aggregate of RMB0.3 million.

For FY2017, we had net cash generated from financing activities of RMB54.5 million, which primarily consists of (i) net proceeds from bank loans of RMB47.3 million, (ii) net proceeds from new loans from related parties of RMB10.4 million, being partially offset by (iii) net repayment of loans due to third parties of RMB0.5 million and (iv) interest paid of RMB2.6 million.

NET CURRENT ASSETS/LIABILITIES

The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 April	As at 31 July
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	2,685	6,273	9,738	29,633	30,530
Trade and other receivables	79,266	123,837	149,302	139,962	172,176
Cash and cash equivalents	2,065	2,202	35,632	36,507	34,278
Pledged deposits	—	—	6,597	11,680	15,762
Total current assets	84,016	132,312	201,269	217,782	252,746
Current liabilities					
Bank loans and other borrowings	50,594	85,104	79,677	74,777	71,777
Trade and other payables	47,032	64,212	92,314	110,961	140,280
Lease liabilities	—	278	325	330	334
Current taxation	1,368	2,533	4,014	497	—
Total current liabilities	98,994	152,127	176,330	186,565	212,391
Net current (liabilities)/assets	(14,978)	(19,815)	24,939	31,217	40,355

As at 31 December 2018, we recorded net current liabilities of RMB19.8 million, as compared to RMB15.0 million as at 31 December 2017, primarily due to (i) the increase in current portion of trade and other payables of RMB17.2 million, which mainly consisted of (a) the increase in dividends payable to shareholders of subsidiaries and (b) the increase in payable for deemed dividends to controlling shareholder, and (ii) the increase in bank borrowings and other loans of RMB34.5 million, which mainly consisted of loans due to related parties and third parties to support our expansion, being partially offset by (iii) the increase in trade and bills receivables of RMB48.6 million, in line with revenue growth of the same period.

As at 31 December 2019, we recorded net current assets of RMB24.9 million, as compared to our net current liabilities of RMB19.8 million as at 31 December 2018, primarily because of (i) the increase in trade and bills receivables of RMB24.1 million, in line with revenue growth of the same period (ii) the increase in cash and cash equivalents of RMB33.4 million, which were in line with expansion of our business scale, (iii) loans due to related parties being waived of RMB31.8 million, being partially offset by (iv) the increase in current portion of bank borrowings of RMB14.9 million. For details of related party transactions and balances, please refer to the Accountant's Report in Appendix I to this prospectus.

As at 30 April 2020, we recorded net current assets of RMB31.2 million as compared to RMB24.9 million as at 31 December 2019, primarily because of (i) the increase in inventories of RMB19.9 million, (ii) the increase in pledged deposits of RMB5.1 million and (iii) repayment of bank loans and other borrowings of RMB4.9 million, being partially offset by (iv) the increase in trade and other payables of RMB18.6 million and (v) the decrease in trade and other receivables of RMB9.3 million.

As at 31 July 2020, we recorded net current assets of RMB40.4 million as compared to RMB31.2 million as at 30 April 2020, primarily because of (i) the increase in trade and other receivables of RMB32.2 million and (ii) the increase in pledged deposits of RMB4.1 million, being partially offset by (iii) the increase in trade and other payables of RMB29.3 million.

Working Capital

Although we were in net current liabilities positions as at 31 December 2017 and 2018 and we had net cash used in operating activities for FY2017 and FY2018, our Directors are of the view that the measures described below would enable us to improve our liquidity position in view of our working capital requirement for business operation:

- our Group has been profitable during the Track Record Period, whose net profits increased with a CAGR of 135.5% over the three years ended 31 December 2019; and
- our management has closely and continuously monitored the net current assets/liabilities position and our working capital, which is evidenced by improvement of our net current liabilities from RMB15.0 million as at 31 December 2017 to RMB19.8 million as at 31 December 2018 and net current assets of RMB24.9 million as at 31 December 2019 and net current assets of RMB31.2 million as at 30 April 2020.

Save as disclosed in this section, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity and net current assets of RMB31.2 million as at 30 April 2020.

Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future plans and use of proceeds" in this prospectus.

Our Directors confirm that and sponsor concurs that, taking into consideration the financial resources presently available to us, including our existing cash and cash equivalents, banking borrowings and other external resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

DISCUSSION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment comprise leasehold land, plant and buildings, generators and other equipment, office equipment and others. As at 31 December 2017, 2018 and 2019 and 30 April 2020, the carrying amounts of our property, plant and equipment amounted to RMB110.8 million, RMB107.0 million, RMB100.7 million and RMB99.5 million, respectively.

The following table sets forth the carrying amounts of our property, plant and equipment as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land	2,920	2,882	2,821	2,800
Plant and buildings	4,483	5,512	4,945	4,757
Generators and other equipment	103,256	98,356	92,713	91,466
Office equipment and others	139	283	195	475
Total	110,798	107,033	100,674	99,498

Our property, plant and equipment decreased by RMB3.8 million from RMB110.8 million as at 31 December 2017 to RMB107.0 million as at 31 December 2018, primarily attributable to depreciation charged of RMB6.4 million during FY2018, being partially offset by addition of RMB2.6 million of FY2018, mainly in related to our office relocation.

Our property, plant and equipment decreased by RMB6.4 million from RMB107.0 million as at 31 December 2018 to RMB100.7 million as at 31 December 2019, primarily attributable to depreciation charged of RMB6.5 million during FY2019.

Our property, plant and equipment decreased slightly by RMB1.2 million from RMB100.7 million as at 31 December 2019 to RMB99.5 million as at 30 April 2020, primarily attributable to depreciation charged of RMB2.2 million during 4M2020, being partially offset by additions of RMB1.0 million for the same period, mainly in related to additions of generators and other equipment for our business needs.

Inventories

Our inventories consist of raw materials, finished goods and goods in transit. Our raw materials include pitch drive controller, pitch motors and ultracapacitors. To minimise the risk of building up inventory, we review our inventory levels on a monthly basis. We believe that maintaining appropriate levels of inventories helps us deliver our products to meet the market demands in a timely manner without straining our liquidity.

The following table sets out a summary of our inventory balance as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	2,685	6,273	7,551	17,348
Finished goods	—	—	132	12,285
Goods in transit	—	—	2,055	—
	2,685	6,273	9,738	29,633

Our inventories increased by RMB3.6 million from RMB2.7 million as at 31 December 2017 to RMB6.3 million as at 31 December 2018, which was mainly attributable to the increase in our needs in view of expanded business operation. Our inventories increased to RMB9.7 million as at 31 December 2019, primarily because of the increase in raw materials needed, finished goods and goods in transit in the year, as our pitch control system related business is subject to seasonality, which our customer generally preferred delivery of goods between May and October because of the weather condition for installation of wind turbines. Our inventories increased further to RMB29.6 million as at 30 April 2020, mainly because of the seasonality factor as discussed above. As at 31 December 2017, 2018 and 2019 and 30 April 2020, our finished goods amounted to nil, nil, RMB0.1 million and RMB12.3 million, respectively.

We also periodically review our inventory levels. During the Track Record Period, write-down of inventories amounted to nil, nil, nil and nil, respectively.

The following table sets forth the turnover days of our inventories for the periods indicated:

	FY2017	**FY2018**	**FY2019**	**4M2020**
Average turnover days of inventories *(Note)*	16	16	19	63

Note: Average turnover days of inventories is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by costs of sales and multiplying by number of days in the relevant period.

Our average turnover days of inventories remained stable at 16 days for FY2017 and FY2018 and increased to 19 days for FY2019, mainly due to goods-in-transit of RMB2.1 million were being shipped close to the end of FY2019, which has not yet arrived to the customers as at 31 December 2019. Our average turnover days of inventories increased to 63 days for 4M2020, primarily because of the increase in raw materials and finished goods that we have stocked up, which was in line with the seasonality of pitch control system related business as discussed above.

Up to the Latest Practicable Date, RMB29.6 million or 100.0% of our inventories as at 30 April 2020 had been sold or utilised.

Trade and other receivables

The follow table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	69,420	110,670	133,917	83,765
Bills receivables	3,629	11,394	12,372	50,332
	73,049	122,064	146,289	134,097
Less: loss allowance	(330)	(771)	(917)	(659)
Trade and bills receivables, net of loss allowance	72,719	121,293	145,372	133,438
Prepayments	1,032	75	1,878	1,294
Other receivables	5,515	2,469	2,052	5,230
Trade and other receivables	79,266	123,837	149,302	139,962

Trade and bills receivables

Our trade and bills receivables mainly consist of the trade receivables from customers and bank acceptance bills received in connection with sales of the products and rendering of services. The following table sets forth our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	69,420	110,670	133,917	83,765
Bills receivables	3,629	11,394	12,372	50,332
	73,049	122,064	146,289	134,097
Less: loss allowance	(330)	(771)	(917)	(659)
Trade and bills receivables, net of loss allowance	72,719	121,293	145,372	133,438

Our trade and bills receivables increased from RMB72.7 million as at 31 December 2017 to RMB121.3 million as at 31 December 2018, and further increased to RMB145.4 million as at 31 December 2019, which was in line with the increase in revenue of respective periods. Our trade and bills receivable decreased to RMB133.4 million as at 30 April 2020, primarily due to the combined effect of (i) the decrease in sales for our low season in 4M2020 as well as delay of sales because of the outbreak of COVID-19 and (ii) receipt of tariff premium of RMB20.3 million from our wind power generation business in 4M2020.

During the Track Record Period, certain customers, including our largest customer, Envision Group, used the bank acceptance bills in settlement, resulting in bills receivables as at 31 December 2017, 2018, 2019 and 30 April 2020 of RMB3.6 million, RMB11.4 million, RMB12.4 million and RMB50.3 million, respectively, which was in line with the increase in revenue of respective periods. These bank acceptance bills are usually due within three months from the date of issue, and our Group generally (a) collects bills receivables upon maturity or prior for maturity, (b) discounts the bills at banks or (c) endorses the bills to suppliers to settle payments. In accordance with applicable laws and regulations in the PRC, the bank acceptance bills are subject to recourse arrangement. In the event that the issuing bank is unable to settle the bills upon maturity, the endorsers are liable to settle the relevant bills. As such, based on the relevant accounting principle, our Group has to recognise a bills receivables in the same amount when de-recognising the trade receivables. Meanwhile, it might not be practicable for us to endorses the bills to suppliers to settle the payments as it involved matching of the amount involved as well as the due dates of the relevant invoices. Accordingly, we may record relatively significant amount of bills receivables as at the end of each reporting period, which may lengthen the overall settlement process and turnover days of our trade and bills receivables during the Track Record Period.

During the Track Record Period, we conducted our sales mainly by credit sales. Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limit by customer. Generally, our Group's trade receivables are due within 30 days to 90 days from the date of billing, except for the tariff premium. Each customer has a maximum credit limit. Our Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

In relation to our wind power generation, we receive monthly payments from the Local Power Grid Company on a monthly basis based on the amount of electricity admitted into its power grid in the preceding month except for the renewable energy tariff premium (可再生能源電價附加) which will be paid to us once the Local Power Grid Company receives them from the Inner Mongolia Finance Department upon nationwide allocations by the MOF, which is generally within one month of such nationwide allocations.

The following table sets out an ageing analysis of our trade and bills receivables presented based on revenue recognition date and net of allowance for doubtful debts (if any), as at the dates indicated:

	As at 31 December			As at 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables, net from pitch control systems related integration, manufacturing and sales				
Within 1 year	39,958	81,609	97,206	97,115
Trade and bills receivables, net from wind power generation				
Within 1 year	15,042	7,213	15,421	15,106
Over 1 year but within 2 years	8,783	12,107	—	3,681
Over 2 years but within 3 years	8,484	8,783	12,107	—
Over 3 years but within 5 years	—	8,484	6,948	—
	32,309	36,587	34,476	18,787
Trade and bills receivables, net from wind farm operation and maintenance				
Within 1 year	452	3,097	11,240	17,536
Trade and bills receivables, net from wind energy related consultancy services				
Within 1 year	—	—	2,450	—
Total trade and bills receivables, net				
Within 1 year	55,452	91,919	126,317	129,757
Over 1 year but within 2 years	8,783	12,107	—	3,681
Over 2 years but within 3 years	8,484	8,783	12,107	—
Over 3 years but within 5 years	—	8,484	6,948	—
	72,719	121,293	145,372	133,438

Despite we granted our customers credit period of 30 to 90 days from date of billing, we recorded material aging balances as at respective dates, primarily attributable to the segment of pitch control systems related integration, manufacturing and sales and wind power generation.

Trade and bills receivables, net from pitch control systems related integration, manufacturing and sales

As at 31 December 2017, 2018 and 2019 and 30 April 2020, majority of the trade balance from this segment was from our largest customer, Envision Group and despite our credit period offered to Envision Group, accounted for 60 to 90 days from date of billing, we recorded aging balances as at respective dates longer than the credit period and may affect the relevant turnover days calculation, primarily attributable to combined effect of the following:

(i) the seasonality of the pitch control system related business, which our customer generally preferred delivery of goods between May and October because of the weather condition for installation of wind turbines, leading to relatively higher balances close to year-end; in particular, the seasonality may further amplify when our business enjoyed substantial growth during the Track Record Period;

(ii) the use of bank acceptance bills as aforesaid which may delay the settlement process from accounting perspective as compared to the credit period; and

(iii) the timing difference between the procurement department of our customer approving the acceptance check and the finance department recording such purchase and its corresponding payable, as well as the delay in settlement of the relevant balance due to our customer's internal clearing and approval procedures when the credit period ends.

As at 31 December 2017, 2018 and 2019 and 30 April 2020, among the balance of our trade and bills receivables, net from pitch control system related integration, manufacturing and sales, RMB37.1 million, RMB70.4 million, RMB75.6 million and RMB45.0 million, were from Envision Group. Up to the Latest Practicable Date, RMB45.0 million or 100.0% of our trade receivables net from pitch control system related integration, manufacturing and sales, outstanding from Envision Group as at 30 April 2020 were settled. Since Envision Group has sizeable business operation, long business relationship with our Group and good repayment history, and there has been no event of default in respect of these trade receivables during the Track Record Period, our Group considered the level of subsequent settlement as satisfactory and reflected by the decreasing turnover days of this segment from Envision Group for the three years ended FY2019 of 206 days, 186 days and 193 days, leading to gradual improving turnover days of this segment as discussed below in this section, which accounted for 198 days, 187 days and 181 days, respectively.

Trade and bills receivables, net from wind power generation

As at 31 December 2017, 2018 and 2019 and 30 April 2020, trade receivables aged over one year but within five years of RMB17.3 million, RMB29.4 million, RMB19.1 million and RMB3.7 million, wholly represents the renewable energy tariff premium arising from our Group's wind farm operation. As aforesaid, these renewable energy tariff premium would be paid to us once the Local Power Grid Company received them from the Inner Mongolia Finance Department upon nationwide allocations by the MOF. In practice, the settlement process would be relatively lengthy and might be affected by various factors beyond our control, including account and finance department of various third parties as well as the availability of information of nationwide allocations, leading to material aging balance as at respective dates and longer turnover days for respective periods. During the Track Record Period, the average turnover days of trade and bills receivables from wind power generation were 487 days, 588 days, 642 days and 552 days respectively.

For FY2017, FY2018, FY2019 and 4M2020, the total amount of tariff premium in cash and cash equivalent that we have received from the PRC Government for our wind power project were nil, RMB7.9 million, RMB15.5 million and RMB20.3 million, respectively. For FY2018, it wholly consists of tariff premium that we were entitled to for the period from 21 December 2017 to 20 July 2018. For FY2019, it mainly consists of tariff premium for the following periods: (a) the year ended 31 December 2015 of approximately RMB8.5 million; (b) more than 90% of the period from 1 January 2016 to 20 March 2016 of approximately RMB1.8 million; and (c) the period from 21 July 2018 to 20 December 2018 of approximately RMB5.2 million. For 4M2020, tariff premium in the amount of RMB20.3 million of the following periods has been further settled: (a) the outstanding portion for the period from 1 January 2016 to 31 March 2016 of approximately RMB0.1 million; (b) the period from 21 March 2016 to 20 December 2016 of approximately RMB6.8 million; (c) the period from 21 December 2016 to 20 December 2017 of approximately RMB12.1 million; and (d) 80% of the period from 21 December 2018 to 20 January 2019 of approximately RMB1.3 million.

Generally, the average time lag between our Group's transmission of wind power to the Local Power Grid Company's power grid and the receipt of payment of renewable energy tariff premium during the Track Record Period through the Local Power Grid Company may lie between 0 and 28 months after the respective year. According to the F&S Report, the average time lag in the wind power industry between wind farm developers' transmission of wind power to the local power grid company's power grid and the receipt of payment of renewable energy tariff premium was about 1 to 2 year, or sometimes 3 years. Nevertheless, our Directors were of the opinion that the renewable energy tariff premium receivables are fully recoverable considering that there are no loss experiences with the grid company in the past and the renewable energy tariff premium is funded by the PRC Government.

Our Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses (ECLs), which is calculated using a provision matrix. As our Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between our Group's different customer bases. For details of credit risk and ECLs for trade receivables, please refer to Note 21 of the Accountants' Report in Appendix I to this prospectus. During the three years ended FY2019, our Group recognised provision for impairment of trade receivables, in accordance with provisional matrix, amounted to RMB0.3 million, RMB0.4 million, and RMB0.1 million, respectively. During 4M2020, our Group recorded reversal of loss allowance of trade and other receivables of RMB0.3 million.

The table below sets forth a summary of average turnover days of total trade and bills receivables and respective business segment as at the dates indicated:

	FY2017	FY2018	FY2019	4M2020
Pitch control systems related integration, manufacturing and sales(1)	198	187	181	330
Wind power generation(1)	487	588	642	552
Wind farm operation and maintenance(1)	74	152	132	174
Wind energy related consultancy services(1)	—	—	179	—
Average turnover days of total trade and bills receivables(2)	293	245	218	328

Notes:

(1) Average turnover days of trade and bills receivables from respective segment is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables from respective segment for the relevant period by revenue of that segment and multiplying by number of days in the relevant period.

(2) Average turnover days of total trade and bills receivables is derived by dividing the arithmetic mean of the opening and closing balances of total trade and bills receivables for the relevant period by total revenue and multiplying by number of days in the relevant period.

During the Track Record Period, we recorded average turnover days of total trade and bills receivables much longer than the credit period we granted to our customers, which were 293 days, 245 days, 218 days and 328 days, respectively, primarily attributable to aging balances of pitch control systems related integration, manufacturing and sales and wind power generation as discussed in relevant paragraphs of this section.

Regarding the segment of pitch control systems related integration, manufacturing and sales, its average turnover days of trade and bills receivables decreased from 198 days for FY2017 to 187 days for FY2018, mainly attributable to combined effect of (i) relatively lower average trade receivable balance was recorded for FY2017 as we started relevant production in 2016 and (ii) more timely settlement by our largest customer, Envision Group, in FY2018. Afterwards, its average turnover days of trade and bills receivables decreased to 181 days for FY2019, mainly attributable to closer cooperation we have established with Envision Group. Its average turnover days of trade and bills receivables increased to 330 days for 4M2020, primarily because of (i) the decrease in sales in low season in 4M2020 and (ii) the moderate increase of 8.7% in our average trade and bills receivables for this segment as at 30 April 2020 as compared to that of 31 December 2019. For details of fluctuation of the relevant balances, please see the paragraphs headed "Trade and bills receivables, net from pitch control systems related integration, manufacturing and sales" in this section.

As for the long turnover days of wind power generation, which accounted for 487 days, 588 days, 642 days and 552 days for respective periods, it was primarily attributable to the lengthy settlement process in collecting the renewable energy tariff premium involving factors and parties beyond our control as aforesaid. Excluding these renewable energy tariff premium, the average turnover days of trade and bills receivables of wind power generation for the Track Record Period were 90 days, 76 days, 79 days and 160 days, respectively.

Despite the average turnover days of total trade and bills receivables increased from 218 days for FY2019 to 328 days for 4M2020 and some of the trade and bills receivable balance aged over one year, our Group is not aware of any recoverability issue since (i) the segment of pitch control systems related integration, manufacturing and sales is highly subject to seasonality factor, leading to the relevant revenue, trade and bills receivables balance and related turnover days for 4M2020 might not be directly comparable to those of FY2019; (ii) we have established stable business relationship with our major customers, whom have sizeable business operation; (iii) there are notable improvement in our collection of renewable energy tariff premium; and (iv) the subsequent settlement of trade and bills receivables up to the Latest Practicable Date is satisfactory.

Up to the Latest Practicable Date, RMB70.4 million or 84.7% of our trade receivables outstanding as at 30 April 2020 were settled by our customers; among which, RMB55.8 million or 100.0% of our trade receivables outstanding from Envision Group as at 30 April 2020 were settled.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly comprise rental and utilities deposit, VAT recoverable, prepayments for acquisition of property, plant and equipment, deferred listing expenses and others.

Our prepayments, deposits and other receivables decreased from RMB6.5 million as at 31 December 2017 to RMB2.5 million as at 31 December 2018, which was primarily due to the decrease in VAT recoverable of RMB3.4 million.

Our prepayments, deposits and other receivables increased to RMB3.9 million as at 31 December 2019, which was mainly attributable to the increase in deferred listing expenses.

Our prepayments, deposits and other receivables increased to RMB6.5 million as at 30 April 2020, which was mainly attributable to the increase in deferred listing expenses.

Trade and other payables

The follow table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	29,095	23,287	24,418	19,655
Bills payable	—	—	26,804	53,245
Other payables	24,300	47,590	48,074	45,152
Trade and other payables	53,395	70,877	99,296	118,052

Trade payables

Our trade payables are derived primarily from payables relating to supplier for purchase of raw materials and consumables. During the Track Record Period, our trade payables are non-interest bearing and have normal trade credit terms.

Our trade payables decreased from RMB29.1 million as at 31 December 2017 to RMB23.3 million as at 31 December 2018 and remained stable at RMB24.4 million as at 31 December 2019. Our trade payables decreased slightly to RMB19.7 million as at 30 April 2020, mainly because of the decrease in purchase for our low season in 4M2020.

The table below sets forth, as at the end of reporting periods indicated, the aging analysis of our trade payables, based on invoice date:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	22,486	14,297	22,116	17,530
3 to 6 months	—	43	177	—
6 to 12 months	187	26	—	—
Over 12 months	6,422	8,921	2,125	2,125
Total	29,095	23,287	24,418	19,655

The following table sets out the average trade payables turnover days for the Track Record Period:

	FY2017	FY2018	FY2019	4M2020
Average turnover days of trade payables(Note)	145	96	56	70

Note: Average turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying the number of days in the relevant period.

Our average trade payables turnover days decreased from 145 days for FY2017 to 96 days for FY2018, primarily attributable to relatively higher average balance of trade payables as at 31 December 2017. Our average turnover days of trade payables decreased to 56 days for FY2019, which was mainly because of more timely settlement by us with suppliers. Our average turnover days of trade payables increased to 70 days for 4M2020, primarily because of the decrease in our cost of sales for 4M2020 as compared to that of average trade payables for our low season in 4M2020.

Up to the Latest Practicable Date, RMB18.6 million or 94.4% of trade payables outstanding as at 30 April 2020 had been settled. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no material default in payment of trade payables.

Other payables

The following table sets forth the breakdown of our other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest payable due to related parties	118	364	508	—
Interest payable due to third parties	14,860	16,726	18,764	19,809
Payable for deemed dividends to controlling shareholder	—	4,074	—	149
Dividends payable to shareholders of subsidiaries	—	16,756	16,756	16,756
Payables for staff related costs	993	1,765	1,042	496
Others	8,329	7,905	11,004	7,942
Other payables	24,300	47,590	48,074	45,152

Our other payables mainly represent (i) interest payable due to related parties, which is of non-trade nature, have been settled in March 2020, (ii) interest payable due to third parties; (iii) payable for deemed dividends to controlling shareholder; (iv) dividend payable to shareholders of subsidiaries, which is of non-trade nature and has been fully settled as at the Latest Practicable Date; (v) payables for staff related costs; and; (vi) others.

Our other payables increased by RMB23.3 million from RMB24.3 million as at 31 December 2017 to RMB47.6 million as at 31 December 2018, which was mainly attributable to (i) the increase in dividends payable to shareholders of subsidiaries of RMB16.8 million and (ii) the increase in payable for deemed dividends to controlling shareholder of RMB4.1 million.

Our other payables remained stable at RMB48.1 million as at 31 December 2019.

Our other payables remained stable at RMB45.2 million as at 30 April 2020.

Up to the Latest Practicable Date, RMB18.2 million or 40.3% of other payables outstanding as at 30 April 2020 has been settled.

INDEBTEDNESS

BANK LOANS AND OTHER BORROWINGS

At the close of business on 31 July 2020, being the latest practicable date on which such information was available to us, our Group has outstanding indebtedness comprising bank loans and other borrowings and lease liabilities.

Loans due to related parties

We commenced our wind power generation business in 2015 by operating our Duolun Wind Farm in Inner Mongolia, which required significant amount of capital resources. Since our business was in beginning stage, it might not be commercially feasible to us to obtain significant amount of secured borrowings without much collaterals prior to the Track Record Period. As such, prior to the Track Record Period, we had relied on mix of bank borrowing and loans due to related parties and loans due to third parties to support our expansion. The following table sets forth our balances with related parties as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 July
	2017	**2018**	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Richard Cheng	4,289	6,868	—	—	—
Shanghai Yingzhen	7,022	20,825	—	—	—
EastAsia *(as defined below)*	1,843	1,843	—	—	—
	13,154	29,536	—	—	—

At 31 December 2017, the loans due to related parties were subject to an interest rate ranging from 0% to 10% per annum, were unsecured and have no fixed repayment terms. At 31 December 2018 and 2019, the loans due to related parties were interest-free, unsecured and have no fixed repayment terms. During FY2019, loans due to Mr. Richard Cheng and EastAsia Power Holding Ltd ("**EastAsia**") in aggregate of RMB31.8 million were waived, resulting in nil balance as at 31 December 2019. For details of related party transactions and balances, please refer to the Accountant's Report in Appendix I to this prospectus.

Loans due to third parties

As our wind farm operation is capital intensive, we had relied on mix of bank borrowings, loans due to related parties and loans due to third parties to support our expansion. Despite our Group were profitable during the Track Record Period, we recorded cash and cash equivalent of RMB2.1 million, RMB2.2 million, RMB35.6 million, RMB36.5 million and RMB34.3 million as at 31 December 2017, 2018 and 2019, 30 April 2020 and 31 July 2020, respectively. As at 31 December 2017, 2018 and 2019, 30 April 2020 and 31 July 2020, our loans due to third parties amounted to RMB43.9 million, RMB62.6 million, RMB50.4 million, RMB50.4 million and RMB47.4 million, respectively. Part of our loans due to third parties would be settled by the net proceeds from Global Offering, please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

As at 31 December 2017, the non-current portion of loans due to third parties represented a loan of RMB21.4 million, which was subject to an interest rate of 10% per annum, were unsecured and repayable on 31 December 2020. At 31 December 2018, the non-current portion of loans due to third parties represented a loan of RMB21.4 million, which was subject to an interest rate of 7% per annum, were unsecured and repayable on 31 December 2020.

As at 31 December 2017, the current portion of loans due to third parties represented loans, which were subject to an interest rate ranging from 0% to 10% per annum, were unsecured and have no fixed repayment terms. As at 31 December 2018 and 2019, the current portion of loans due to third parties represented loans, which were subject to an interest rate ranging from 0% to 7% per annum, were unsecured and have no fixed repayment terms or repayable within one year.

The following table sets forth our balances with third parties as at the dates indicated:

	Note	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 April 2020	As at 31 July 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current						
National Honour	(1)	—	7,083	7,083	7,083	7,083
Beijing BiTe	(2)	12,500	12,500	11,894	11,894	11,894
Beijing Gucang	(3)	7,000	7,000	28,400	28,400	28,400
Individuals	(4)	3,000	3,000	3,000	3,000	—
Beijing Longyuan Chuangquan	(5)	—	7,685	—	—	—
Beijing Ruixingu	(6)	—	3,900	—	—	—
		22,500	41,168	50,377	50,377	47,377
Non-current						
Beijing Gucang	(3)	21,400	21,400	—	—	—
Total		43,900	62,568	50,377	50,377	47,377

Notes:

(1) National Honour Group Limited ("**National Honour**") is a company incorporated under the laws of the BVI which is principally engaged in property holding. Mr. Richard Cheng, our ultimate controlling shareholder, was a shareholder of National Honour holding 50% of its total issued capital. Mr. Richard Cheng ceased to be a shareholder of National Honour following the disposal of all his shares in National Honour in FY2018 to the other shareholder of National Honour who is an Independent Third Party, upon which the balance with related parties shall become loans due to third parties. As at 31 December 2018, 2019, 30 April 2020 and 31 July 2020, our loan due to National Honour was subject to an interest rate of 3.5% per annum.

(2) Beijing BiTe is an enterprise established under the laws of the PRC, who is primarily engaged in technology development and consultancy and sale of lubricating oil, electronic products, desulphurisation and denitrification products, mechanical equipment and computer system services. Beijing BiTe was a shareholder of Beijing Nature holding 40% of its equity interests. Beijing BiTe ceased to be a shareholder of Beijing Nature following the disposal of its equity interests in Beijing Nature in its entirety in July 2018. As Duolun Wind Farm was under construction stage and capital intensive, it might not be commercially feasible to us to obtain significant amount of secured borrowings without much collaterals, we had to rely on resources from its then shareholders for the construction. As at 31 December 2017, our loan due to Beijing BiTe was subject to an interest rate of 10.0% per annum. As at 31 December 2018, 2019, 30 April 2020 and 31 July 2020, our loan due to Beijing BiTe was subject to an interest rate of 7.0% per annum. Further, Beijing BiTe provided some short-term advances to us during the Track Record Period for working capital purpose, and such aggregate sum amounted to nil, RMB14.0 million and RMB11.0 million for FY2017, FY2018 and FY2019, respectively, and have been settled prior to the corresponding year ends. Beijing BiTe did not charge interest on these advances as they were settled in relatively short time frame.

(3) Beijing Gucang is an enterprise established under the laws of the PRC and a direct subsidiary of Beijing BiTe with 98.75% of its equity interests being held by Beijing BiTe, who is an investment holding company. As Duolun Wind Farm was under construction stage and capital intensive, we had to rely on resources from its then shareholders for the construction. As at 31 December 2017, our loan due to Beijing Gucang was subject to an interest rate of 10.0% per annum. As at 31 December 2018, 2019, 30 April 2020 and 31 July 2020, our loan due to Beijing Gucang was subject to an interest rate of 7.0% per annum.

(4) Individuals, Ms. Sun Yanmei* (孫豔梅) and Ms. Zhang Yanzhen* (張豔珍), were former shareholders of Beijing Shanhejuli, which in turn held 96.97% of the entire equity interest of Datang Gucang prior to the transfer of the same by Beijing Shanhejuli to Beijing Nature in 2015. As Duolun Wind Farm was under construction stage and capital intensive, we had to resort to financing from individuals and/or enterprises with which we maintained close business relationship. As at 31 December 2017, 2018 and 2019 and 30 April 2020, our loans due to individuals were interest-free. As at the Latest Practicable Date, our loans due to individuals were fully settled.

(5) Beijing Longyuan Chuangquan Technology (Holding) Co., Ltd* (北京龍源創泉科技有限公司) ("**Beijing Longyuan Chuangquan**") is an enterprise established under the laws of the PRC, who is primarily engaged in the sales of environmentally friendly desulfurization and denitrification chemical products. Beijing Longyuan Chuangquan is the holding company of Beijing BiTe, directly holding 80% of its equity interests. In the absence of other banking facilities available, we have obtained certain financing from Beijing Longyuan Chuangquan through the network of Beijing BiTe. As at 31 December 2018, our loan due to Beijing Longyuan Chuangquan was subject to an interest rate of 5.0% per annum.

(6) Beijing Ruixingu Technology (Holding) Co., Ltd* (北京瑞芯穀科技有限公司) ("**Beijing Ruixingu**") is an enterprise established under the laws of the PRC, whose shareholders are Independent Third Parties. Beijing Ruixingu is primarily involved in underground pipeline RFID related technology. To support our business expansion in pitch control systems related integration, manufacturing and sales and in the absence of other banking facilities available, we have obtained certain financing from third parties. As we obtained loan due to Beijing Ruixingu in December 2018 and would be settled in relatively short time frame in January 2019, such balance as at 31 December 2018 was interest-free.

Bank loans

The following table sets forth the repayment schedule of our bank loans as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 July
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	2,640	—	14,900	10,000	10,000
Current portion of long-term bank loans	12,300	14,400	14,400	14,400	14,400
Within 1 year or on demand	14,940	14,400	29,300	24,400	24,400
After 1 year but within 2 years	14,400	14,400	13,533	13,533	6,333
After 2 years but within 5 years	27,933	13,533	—	—	—
	42,333	27,933	13,533	13,533	6,333
Bank loans	57,273	42,333	42,833	37,933	30,733

As at 31 December 2017, 2018 and 2019, 30 April 2020 and 31 July 2020, our Group had bank borrowings of approximately RMB57.3 million, RMB42.3 million, RMB42.8 million, RMB37.9 million and RMB30.7 million, respectively, which are denominated in RMB.

As at 31 December 2017, 2018 and 2019, our Group's bank loans of approximately nil, nil, RMB4.9 million was under secured by guarantees provided by Mr. Richard Cheng, which has been settled on or before 30 April 2020.

As at 31 December 2017, 2018 and 2019 and 30 April 2020 and 31 July 2020, our Group's secured bank loans of approximately RMB54.6 million, RMB42.3 million, RMB27.9 million, RMB27.9 million and RMB20.7 million, respectively, are secured by the following current assets whose carrying values as at the dates indicated are as follow:

	As at 31 December			As at 30 April	As at 31 July
	2017	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land	2,920	2,882	2,821	2,800	2,832
Generators and other equipment	74,187	70,104	66,020	64,659	63,638
	77,107	72,986	68,841	67,459	66,470

As at 31 July 2020, being the latest practicable date for the purpose of indebtedness statement, we had aggregate bank loans of RMB30.7 million and nil unutilised banking facilities.

The following table details the interest rate profile of our Group's total borrowings as at the dates indicated:

	As at 31 December						As at 30 April		As at 31 July	
	2017		2018		2019		2020		2020	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:										
Bank loans	4.45%	2,640	N/A	—	N/A	—	N/A	—	N/A	—
Loans due to related parties	0%–10%	13,154	0%	29,536	N/A	—	N/A	—	N/A	—
Loans due to third parties	0%–10%	43,900	0%–7%	62,568	0%–7%	50,377	0%–7%	50,377	3.5%–7%	47,377
Lease liabilities	N/A	—	2.38%	1,302	2.38%	1,024	2.38%	917	2.38%	835
		59,694		93,406		51,401		51,294		48,212
Variable rate borrowings:										
Bank loans	6.18%	54,633	6.18%	42,333	4.79%–6.18%	42,833	4.79%–6.18%	37,933	4.35%–6.18%	30,733
		114,327		135,739		94,234		89,277		78,945

During the Track Record Period, the bank and other borrowing agreements that we entered into with banks and financial institutions were subject to general and customary covenants commonly found in lending arrangements with financial institutions. If our Group were to breach the covenants, the loans would become payable on demand. Our Group regularly monitors its compliance with these covenants. The agreements under our bank borrowings do not contain any material covenants that may have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we have not defaulted in the repayment of the principal bank borrowings and relevant interest expenses during the Track Record Period. As at 31 December 2017, 2018 and 2019, 30 April 2020 and 31 July 2020, none of the covenants relating to the bank and other loans had been breached.

Lease liabilities

Our Group has adopted IFRS 16, by using the full retrospective approach with which the relevant accounting policies have been applied consistently throughout the Track Record Period. Leases have been recognised in the form of an asset (for the right-of-use assets) and a financial liability (for the payment obligation) in our Group's consolidated statement of financial position. For details, see Note 2(g) of the Accountant's Report in Appendix I to this prospectus. As at 31 December 2017, 2018, 2019, 30 April 2020 and 31 July 2020, our Group has lease liabilities amounted to nil, approximately RMB1.3 million, RMB1.0 million, RMB0.9 million and RMB0.8 million, respectively.

Contingent liabilities

As at the Latest Practicable Date, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. Our Directors confirm that as at the Latest Practicable Date, we did not have any significant contingent liabilities.

Save as aforesaid, and apart from intra-group liabilities, our Group did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our Group's capital expenditures primarily related to payments for the acquisition of property, plant and equipment, which amounted to RMB49.0 million, RMB1.0 million, RMB0.1 million and RMB1.0 million for the Track Record Period, respectively.

For the year ending 31 December 2020, we estimate that the capital expenditures will be not less than RMB3.0 million primarily for strengthening our R&D capabilities to enrich our pitch control systems and solutions offering. Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally though the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

Capital commitments

There are no significant capital commitments outstanding at the respective year/period end not provided for at 31 December 2017, 2018 and 2019 and 30 April 2020.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

Trading balances with Beijing Wenchuang

During the year ended 31 December 2016, Beijing Wenchuang Youlike New Energy Technology Limited* (北京文創優利可新能源科技有限公司) ("**Beijing Wenchuang**") is an enterprise established under the laws of the PRC, which is held by Shanghai Yingzhen and another six individual Independent Third Parties as to 39.9% and 60.13%, respectively. Beijing Wenchuang used to be a low-voltage pitch control system provider and ceased to have business operation in 2016. Prior to the cessation of Beijing Wenchuang, it has sold certain software system and tools to us, leading to trading balance of approximately RMB3.4 million as at 31 December 2017, which was subsequently settled during FY2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed herein, we had no other material off-balance sheet commitments and arrangements.

KEY FINANCIAL RATIOS

	FY2017	FY2018	FY2019	4M2020
Profitability ratios				
Gross profit margin (%)(1)	32.9	30.8	29.8	26.0
Net profit margin (%)(2)	13.4	19.3	19.2	8.2
Return on equity (%)(3)	33.5	96.2	62.5	N/A
Return on total assets (%)(4)	4.5	12.8	15.7	N/A
Interest coverage (times)(5)	2.3	5.1	8.3	4.0

	As at 31 December			As at 30 April
	2016	2017	2018	2020
Liquidity ratios				
Current ratio (times)(6)	0.8	0.9	1.1	1.2
Quick ratio (times)(7)	0.8	0.8	1.1	1.0
Capital adequacy ratios				
Gearing ratio (%)(8)	425.0	437.3	89.2	81.2
Net debt to equity ratio (%)(9)	417.3	430.2	55.5	48.0

Notes:

(1) The calculation of gross profit margin is based on gross profit for the year/period divided by revenue and multiplied by 100%. Please refer to the paragraphs headed "Review of historical results of operations" above in this section for more details on our gross profit margins.

(2) The calculation of net profit margin is based on profit for the year/period divided by revenue and multiplied by 100%. Please refer to the paragraphs headed "Review of historical results of operations" above in this section for more details on our net profit margins.

(3) The calculation of return on equity is based on profit for the year divided by the arithmetic mean of the opening and closing balances of total equity for the relevant period and multiplied by 100%.

(4) The calculation of return on total assets is based on profit for the year divided by the arithmetic mean of the opening and closing balances of total asset for the relevant period and multiplied by 100%.

(5) Interest coverage is calculated by dividing profit from operations by finance costs for each respective year/period.

(6) The calculation of current ratio is calculated as current assets divided by current liabilities.

(7) The calculation of quick ratio is calculated as current assets less inventories divided by current liabilities.

(8) The calculation of gearing ratio is calculated as total debt divided by total equity and multiplied by 100%. Total debts refer to all interest-bearing bank loans, lease liabilities, loans due to related parties and third parties of our Group as at respective date.

(9) The calculation of net debt to equity ratio is based on net debt divided by total equity and multiplied by 100%. Net debt includes all interest-bearing bank loans, lease liabilities, loans due to related parties and third parties net of cash and cash equivalents.

Return on equity

Our return on equity increased from 33.5% for FY2017 to 96.2% for FY2018, primarily attributable to (i) the significant increase in profit for the year from RMB7.7 million for FY2017 to RMB27.9 million for FY2018, which outweighed (ii) the increase in our equity bases as at respective dates. Our total equity increased slightly from RMB26.9 million as at 31 December 2017 to RMB31.0 million as at 31 December 2018, primarily attributable to (a) accumulation of profit for FY2018, being partially offset by (b) the appropriation of dividends to shareholders of subsidiaries, (c) acquisition of non-controlling interests and (d) appropriation of deemed dividends to controlling shareholder.

Our return on equity decreased to 62.5% for FY2019, primarily attributable to significant increase in our equity base, which increased from RMB31.0 million as at 31 December 2018 to RMB105.6 million as at 31 December 2019, due to the combined effect of (i) accumulation of profit for FY2019 and (ii) the increase in other reserve because of loans waived by controlling shareholder.

Return on total assets

Our return on total assets increased from 4.5% for FY2017 to 12.8% for FY2018, primarily attributable to the significant increase in profit for the year from RMB7.7 million for FY2017 to RMB27.9 million for FY2018, despite our total assets increased from RMB196.0 million as at 31 December 2017 to RMB240.2 million as at 31 December 2018 as a result of our business growth.

Our return on total assets increased to 15.7% for FY2019, primarily attributable to (i) the increase in profit for FY2019 outweighing (ii) the increase in total assets, which increased from RMB240.2 million as at 31 December 2018 to RMB303.2 million as at 31 December 2019.

Interest coverage

Our interest coverage increased from 2.3 times in FY2017 to 5.1 times in FY2018, mainly due to the increase in profit from operations in 2018.

Our interest coverage ratio increased to 8.3 times in FY2019, mainly due to the combined effect of (i) the decrease in finance costs in 2019 and (ii) the increase in profit from operations for the same year.

Our interest coverage decreased to 4.0 times in 4M2020, primarily attributable to the decrease in profit for 4M2020 because of listing expenses of RMB5.7 million incurred for the same period, which was partially offset by the decrease in finance cost in 4M2020 because of our gradual repayment of bank loans.

Current ratio

Our current ratio was remained stable at 0.8 times for FY2017 and 0.9 times for FY2018 and increased to 1.1 times for FY2019, in line with expansion of our business scale. We recorded relatively significant increase in FY2019, primarily due to (i) increase in cash and cash equivalents of RMB33.4 million in FY2019, being partially offset by (ii) the increase in current portion of bank loans of RMB14.9 million of the same period.

Our current ratio increased slightly to 1.2 times for 4M2020, primarily attributable to the increase in current assets outweighing the increase in current liabilities of the same period. Our total current assets increased from RMB201.3 million as at 31 December 2019 to RMB217.8 million as at 30 April 2020, mainly due to (i) the increase in inventories of RMB19.9 million for seasonality factor, (ii) the increase in pledged deposits of RMB5.1 million, which was partially offset by (iii) the decrease in trade and other receivables of RMB9.3 million. On the other hand, our current liabilities increased from RMB176.3 million as at 31 December 2019 to RMB186.6 million as at 30 April 2020, mainly due to the increase in trade and other payables of RMB18.6 million.

Quick ratio

Our quick ratio was 0.8 times, 0.8 times, 1.1 times and 1.0 times for FY2017, FY2018, FY2019 and 4M2020, respectively, which was generally in line with the fluctuation of our current ratio for the same period.

Gearing ratio

Our gearing ratio increased from 425.0% for FY2017 to 437.3% for FY2018, primarily attributable to (i) the increase in total debts of RMB114.3 million as at 31 December 2017 to RMB135.7 million as at 31 December 2018, outweighing (ii) the increase in total equity, which increased from RMB26.9 million as at 31 December 2017 to RMB31.0 million as at 31 December 2018 as discussed above.

Our gearing ratio decreased to 89.2% for FY2019, mainly due to the combined effect of (i) the decrease in total debts, which decreased from RMB135.7 million as at 31 December 2018 to RMB94.2 million as at 31 December 2019, because of (i) waiver of loans due to related parties and (ii) gradual repayment of bank loans and (iii) the increase in total equity as discussed above.

Our gearing ratio decreased to 81.2% for 4M2020, primarily attributable to the decrease in total debts, which decreased from RMB94.2 million as at 31 December 2019 to RMB89.2 million as at 30 April 2020, because of gradual repayment of bank loans whilst our equity base remained relatively stable.

Net debt to equity ratio

Our net gearing ratio increased from 417.3% for FY2017 to 430.2% for FY2018, mainly due to the increase in total equity as discussed above.

Our net gearing ratio decreased to 55.5% for FY2019, mainly due to the combined effect of (i) the decrease in total debts, (ii) the increase in aggregate of cash and cash equivalents and pledged deposits and (iii) the increase in total equity as discussed above.

Our net gearing ratio decreased to 48.0% for 4M2020, primarily attributable to (i) the decrease in total debts and (ii) the increase in aggregate of cash and cash equivalents and pledged deposits whilst our equity base remained relatively stable.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed to are set out in Note 23 to Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DIVIDENDS

In 2018, Beijing Nature declared dividends of RMB15.8 million and Datang Gucang declared dividends of RMB30.1 million, to their then shareholders. As at the Latest Practicable Date, such declared dividends have been fully paid from internal source of funding. Save the aforesaid, our Group has not declared or paid or propose to declare any dividend during the Track Record Period and up to the Latest Practicable Date.

The foregoing should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We do 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.

LISTING EXPENSES

Assuming the Offer Price of HK$2.30 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this document, the total amount of expenses in relation to the Listing including the underwriting commission and other Listing expenses and fees are estimated to be approximately RMB28.9 million which shall be borne by our Company, which are estimated to be 22.4% to the gross proceeds from the Global Offering. For FY2019 and 4M2020, we incurred listing expenses of approximately RMB4.9 million and RMB5.7 million, respectively. It is estimated that approximately RMB7.1 million will be charged to our Group's profit and loss for the remaining eight months ending 31 December 2020, and approximately RMB7.4 million is estimated to be directly attributable to the issue of the new Shares and is to be accounted for as a deduction from the equity in accordance with the relevant accounting standard after Listing. We expect that the Listing expenses may have a negative impact on our results of operation.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 28 November 2019 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II of this prospectus for the unaudited pro forma adjusted consolidated net tangible assets.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

MATERIAL ADVERSE CHANGE

The impact of the listing expenses, increased operating expenses and finance costs, including the increased research and development expenses on our consolidated statement of profit or loss has posted a material adverse change in the financial or trading position or prospect of our Group since 30 April 2020 (being the date of the latest audited consolidated financial statements were made up). Prospective investors should be aware of the impact of these expenses on the financial performance of our Group for the year ending 31 December 2020.

Our Directors have confirmed, after performing all the due diligence work which our Directors consider appropriate, that save as disclosed under the section headed "Summary — Recent development and material adverse change" in this prospectus, there is no event which could materially affect the information shown in our consolidated financial information included in the Accountants' Report set forth in Appendix I to this prospectus since 30 April 2020, and as at the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects.

FUTURE PLANS

See "Business — Business strategies" for a detailed description of our future plans.

REASONS FOR THE LISTING

We will continue to actively seek business opportunities within the wind power industry to achieve sustainable growth and further strengthen our market position in the pitch control system related manufacturing and sales business, expand our wind farm operation business and continue to diversify and expand our wind power related services offerings, in order to maintain and increase long-term shareholder value and create maximum customer value.

According to the F&S Report, the PRC Government observed that there has been a decrease in operation costs of wind farms due to technology advancement and considered that industry players could still make a profit without any subsidies. As a result, according to the "Notice on Improving the Policy on On-grid Prices for Wind Power (《關於完善風電上網電價政策的通知》)" which was issued in 2019, the Chinese Government proposed that in order to scientifically and reasonably guide investments in renewable energy and promote the healthy and sustainable development of wind power industry, government subsidy on onshore wind power would be phased out. In particular, there would be no subsidy on onshore wind power projects which have not accomplished grid connection before the end of 2021, and that the offshore wind power projects which have accomplished grid connection before the end of 2021 would adopt the guidance on-grid price for wind power for the year of grid connection. Hence, it is expected that this policy would stimulate a large number of enterprises to complete the construction of wind power projects in advance before the end of 2021 to enjoy the preferential policy. Therefore, it is expected that there would be a great demand for wind turbines and accordingly the pitch control systems in the coming years, with sales value in pitch control systems to be increased from RMB2,212.2 million in 2019 to RMB2,338.1 million in 2023 with a CAGR of 1.4% according to the F&S Report, which is mainly driven by the expected rising demand for wind turbines in the coming years. In particular, a peak of the current industry cycle is anticipated in 2020 and 2021, amounting to RMB2,916.5 million and RMB3,067.8 million, as stimulated by the policy namely the Notice on Improving the Policy on On-grid Prices for Wind Power issued in 2019.

Furthermore, it is expected that the demand for high-voltage pitch control systems, which is the focus of our pitch control system business during Track Record Period, would increase in the long run. According to the F&S Report, high-voltage pitch control system would become more popular in the future and the market size of high-voltage pitch control systems is anticipated to grow from RMB1,460.6 million to RMB2,244.6 million at the CAGR of 11.3% between 2019 and 2023.

Also, according to the F&S Report, (a) onshore wind power in the PRC is developing at a faster rate than offshore wind power. However, according to the China Wind Energy Roadmap 2050 (《中國風電發展路線圖2050》) issued by the NDRC and IEA, offshore wind power would be as important as onshore wind power from 2021 to 2030; and (b) the wind power resources for offshore wind power projects are much higher than onshore ones. It is also expected that newly installed capacity of wind power attributable to offshore wind power projects is expected to increase from 2.5 GW in 2019 to 7.0 GW in 2023, with a CAGR of 29.5%, according to the F&S Report. In terms of the wind power operation and maintenance market in the PRC, a growth in the market size by sales value is anticipated, with total sales value to increase from approximately RMB12.5 billion in 2018 to RMB25.0 billion in 2023. According to the F&S Report, it is estimated that the market value of distributed wind farms by total investment amount will increase from RMB34.2 billion to RMB83.4 billion from 2019 to 2023, representing a CAGR of 25.0%. As the industry continues to evolve and mature, we believe we will have business opportunities to achieve sustainable growth and further strengthen our market position in the wind power industry in the future.

During the Track Record Period, we have achieved substantial growth in our business in terms of revenue and gross profit. For FY2017, FY2018, FY2019 and 4M2020, we recorded revenue of RMB57.3 million, RMB144.4 million, RMB222.8 million and RMB51.5 million, respectively; whereas we recorded gross profit of RMB18.9 million, RMB44.5 million, RMB66.4 million and RMB13.4 million, respectively.

In view of the expected growth in the wind power industry, we intend to take advantage of new business opportunities by (i) maintaining and enhancing our market position in the pitch control system market to increase market share in the PRC; (ii) diversifying our customer portfolio in both of our pitch control systems and wind farm operations and revenue streams through leveraging our technical expertise in the wind power industry; and (iii) further strengthening our R&D capabilities to enrich the quality and functionalities of our solutions offering to reflect the latest technology at competitive prices. Our Directors are of the view that we will be able to achieve sustainable growth and further strengthen our market position in the future by implementing the aforesaid future plans.

Based on the foregoing, we intend to apply the net proceeds, among others, to (i) purchase core components and raw materials necessary for the production of customised high-voltage pitch control systems to fulfil the expected purchase quantities for Jiangyin Envision pursuant to our binding ten-year framework agreement; (ii) diversify our customer base in the pitch control systems market by increasing our marketing efforts; (iii) invest into the development of a new distributed wind farm by Lingqiu Fengyuan in Lingqiu County in Datong of Shanxi Province through capital injection into Datong Fengyuan; (iv) recruit additional service personnel to expand our wind farm operation and maintenance services; and (v) further strengthen our R&D capabilities to enrich our pitch control systems and solutions offering. For details on how we intend to implement such business strategies, please see "Use of proceeds" below. Our Directors believe that the net proceeds of the Global Offering will facilitate the implementation of our business strategies and will allow us to achieve sustainable growth and further strengthen our market position in the wind power industry in general for the aforesaid reasons.

Payback and breakeven period analysis of the distributed wind farms in Lingqiu County and Yungang District in Datong of Shanxi Province

Our Directors intend to apply approximately 31.2% or approximately RMB31.3 million (equivalent to approximately HK$34.8 million) of the net proceeds from the Global Offering to the investment of the development of a new distributed wind farm by Lingqiu Fengyuan in Lingqiu County in Datong of Shanxi Province through capital injection into Datong Fengyuan, which was approved by the relevant authority in December 2019 with its operations expected to commence in or around September 2021. The total investment of RMB31.3 million by our Group in the distributed wind farm in Lingqiu County is calculated based on (i) the expected total investment amount of RMB208.9 million into the distributed wind farm for its establishment and initial operations costs; (ii) 70.0% and 30.0% (i.e. amounting to RMB62.7 million) of the total investment amount being funded through bank borrowing and capital investment by the shareholders of Datong Fengyuan (i.e. the holding company of Lingqiu Fengyuan), respectively; and (iii) the capital investment by the shareholders of Datong Fengyuan being apportioned in accordance with the respective shareholdings of our Beijing Nature and Liaoning Hailan in Datong Fengyuan, namely 50.0% (i.e. amounting to RMB31.3 million) and 50.0%, respectively.

Our Directors also intend to invest in the development of a new distributed wind farm by Datong Yungang in Yungang District in Datong of Shanxi Province. The capital for the investment will be funded by internal resource and bank borrowings. The approval for the wind farm in Yungang District has not yet been obtained as at the Latest Practicable Date due to restrictions imposed by policies promulgated by the NEA. Based on the best information and knowledge of our Directors, it is expected that the project approval for the Yungang District wind farm will be obtained by April 2021. However, if the development of the distributed wind farm in Yungang District in Datong of Shanxi Province is not approved by the relevant government authorities by April 2021, our Directors intend to utilise the relevant internal available funding to develop a different distributed wind farm through acquisition or capital injection to acquire a controlling stake of an investment company holding wind farm project satisfying our criteria.

Both of the new distributed wind farms in Lingqiu County and Yungang District of Shanxi Province are expected to supply electricity to the relevant local power grid company(ies). For further details, please refer to "Business strategies — Diversification of our customer base — B. Wind power generation business" in this prospectus.

According to the F&S Report, since the wind power generation industry is competitive and the first mover advantage of a market participant in a given city/region is essential to the prospects of wind farms, if we do not have sufficient capacity and capability to cater for the market demand, our potential customers would simply switch to other competing wind farm operators.

Set out below is the investment payback and breakeven period analysis in relation to the investment in the development of the distributed wind farms in Lingqiu County and Yungang District in Datong of Shanxi Province. We made the following principal assumptions when performing the payback period analysis:

(i) The new distributed wind farms will be fully utilised.

(ii) The average selling price of electricity generated from the distributed wind farms will remain the same in accordance with the relevant laws and regulations.

(iii) The climate and wind conditions of the distributed wind farms remain constant.

(iv) Power grids with adequate transmission capacity is available for the transmission of the electric power generated by the distributed wind farms.

(v) The relevant government subsidies are received by us within a reasonable timeframe and not unreasonably withheld by the relevant authorities.

(vi) The applicable preferential tax treatments to Lingqiu Fengyuan and Datong Yungang and their underlying laws and regulations are not revoked.

(vii) The operational costs of the distributed wind farms remain consistent with the estimations.

(viii) The interest rates of the bank borrowing, accountable for 70.0% and 75.0% of the total investment amount of Lingqin Fengyuan and Datong Yungang wind farms respectively, remain consistent with the rate(s) initially enquired with the relevant bank.

The following table sets forth the calculations of the estimated payback periods of our distributed wind farms in Lingqiu County and Yungang District in Datong of Shanxi Province:

	Lingqiu County	**Yungang District**
Total installed capacity *(MW)*	20	25
Annual electricity generation capacity *(MWh)*	55,640.00	65,275.00
Average selling price of electricity generated *(RMB/kWh)*	0.4602	0.4159
Annual revenue from the sale of electricity generated above *(RMB' million)*	25.6	27.1
Initial investment of Lingqiu Fengyuan/ Datong Yungang *(RMB' million)*	208.85	212.58
Payback period *(years)*	**8.90**	**9.25**

Note: The above tables adopts pre-tax figures without VAT attributable to the average selling price of electricity generated, as well as income tax attributable to the revenue derived from the wind power generation.

In relation to the breakeven periods of the Lingqiu Fengyuan and the Datong Yungang wind farms:

- For the Lingqiu Fengyuan wind farm, (i) the first eight to twelve months after the initial investment by our Group will constitute the construction period of the necessary facilities for wind power generation, hence there is no total costs incurred and revenue generated of the wind farm; (ii) the revenue of the wind farm generated is RMB25.6 million in the second year after our initial investment; and (iii) the total cost of the wind farm incurred is RMB19.2 million in the second year after our initial investment. Therefore, the revenue derived from the Lingqiu Fengyuan wind farm in the first month upon the commencement of its operations is expected to exceed the cost of its operations. Hence, based on the conservative assumption that the construction period is 12 months, the breakeven period of the Lingqiu Fengyuan wind farm is expected to be 13 months; and

- For the Datong Yungang wind farm, (i) the first eight to twelve months after the initial investment by our Group will constitute the construction period of the necessary facilities for wind power generation, hence there is no total costs incurred and revenue generated of the wind farm; (ii) the revenue of the wind farm generated is RMB27.1 million in the second year after our initial investment; and (iii) the total cost of the wind farm incurred is RMB19.4 million in the second year after our initial investment. Therefore, the revenue derived from the Datong Yungang wind farm in the first month upon the commencement of its operations is expected to exceed the cost of its operations. Hence, based on the conservative assumption that the construction period is 12 months, the breakeven period of the Datong Yungang wind farm is expected to be 13 months.

The payback and breakeven periods of (i) the Lingqiu Fengyuan and (ii) the Datong Yungang wind farms developed are expected to be approximately (i) 8.90 years and 13 months; and (ii) 9.25 years and 13 months, respectively, which are in line with the investment payback and breakeven periods of the Duolun Wind Farm and the industry average according to the F&S Report. Given that (i) the costs of developing the Lingqiu Fengyuan and Datong Yungang wind farms would be recovered in approximately 8.90 years and 9.25 years, respectively; (ii) the breakeven periods of the Lingqiu Fengyuan and Datong Yungang wind farms are expected to be 13 months and 13 months, respectively; and (iii) the potential revenue generated from our wind power generation business in our distributed wind farms in the long run, our Directors are of the view that it is in the best interests of our Company and Shareholders to develop the new distributed wind farms for our wind power generation business.

Our Directors believe that despite the investment in the development of the distributed wind farm in Lingqiu County in Datong of Shanxi Province being capable of expanding our wind power generation business and becoming a stable source of revenue, such investment (i) is considered as a long-term investment for our Group which would lock up a significant amount of our capital resources throughout the estimated payback period; and (ii) would create pressure on the availability of our capital resources which may in turn inhibit the implementation of other expansion plans and organic growth of our business operations if it is solely funded with our internal resources and without the utilisation of any net proceeds from the Global Offering. Therefore, to the best information and knowledge of our Directors and upon making reasonable enquiries, our Directors are of the view that such investment made in the manner elaborated above is in the best interest of the business operations and financial performance of our Group and in order to maintain and increase long-term shareholder value and create maximum customer value.

Commercial rationale in opting for equity financing

Our Directors are of the view that the Global Offering will enhance our brand awareness and image among market participants in the wind power industry value chain, which may assist us to further expand and diversify our customer and supplier base and enable us to be considered more favourably compared to our competitors. As a listed company, potential customers and suppliers are more likely to establish and maintain business relationships with us, given (i) the greater transparency on financial disclosure; (ii) stricter regulatory supervision; (iii) a well-established internal control and corporate governance system; and (iv) higher level of financial stability in light of additional platform to raise necessary funds for our operations and expansion plans.

After the Listing, our Directors believe that our public image will be further enhanced among our existing and prospective customers which will increase our chances to secure orders and their willingness in choosing our solutions offering as compared to those provided by other non-listed competitors. In addition, we believe that our Company will be able to retain our existing staff and recruit potential talents more effectively to enhance our wind power solutions offering in the wind power industry.

Our Directors are also of the view that equity financing will allow our Group to have greater flexibility to adjust our capital structure according to the changing market situations and thereby enabling us to better preserve the value of our Shares. By solely relying on debt financing, our Group will be exposed to risks such as interest rate fluctuations and early repayment demands by banks under banking facilities due to unforeseeable economic conditions.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK$2.30 per Share, being the mid-point of the indicative range of the Offer Price of HK$2.00 to HK$2.60 per Share, and assuming the Over-allotment Option is not exercised) will be HK$111.5 million. Our Directors intend to achieve sustainable growth and further strengthen our market position in the pitch control system related manufacturing and sales business, expand our wind power generation business and continue to diversify and expand our wind power related services offerings by applying the net proceeds from the Global Offering as follows:

(1) approximately 18.7% or approximately RMB18.7 million (equivalent to approximately HK$20.8 million) will be used for the maintenance and enhancement of our market position in the pitch control system market to increase market share in the PRC through the purchase of core components and raw materials necessary for the production of customised high-voltage pitch control systems to fulfil the expected purchase quantities for Jiangyin Envision pursuant to our binding ten-year framework agreement. For our pitch control system business, (i) we generally do not receive any deposit for purchase orders placed by our customers; (ii) it takes 60 to 90 days from the sourcing of raw materials, components and parts to the delivery of our finished goods; and (iii) while our payment term offered by creditors is usually payment upon placing of purchase order to 60 days and our credit term offered to our customers ranges from 30 days to 90 days. In addition, our cash conversion cycle is normally approximately two to three months. The allocated net proceeds will be used to fill the aforesaid cashflow gap in relation to the purchases to meet Envision Group's targeted purchase quantities, which the internal funding of our Group (e.g. cash inflow from our sales) is insufficient in covering the necessary amount by itself. Our Directors believe that the increase in capital for the purchasing of core components and raw materials to fulfil the aforesaid framework agreement will enable us to fulfil our expected increasing sales of customised high-voltage pitch control systems to Envision Group and will facilitate the healthy growth of our business scale and operations;

In order to meet Envision Group's targeted purchase quantities for the financial year ending 31 December 2020, we intend to purchase (i) pitch drive controllers, (ii) ultracapacitors and (iii) pitch motors for 1,500 sets of pitch control systems. The table below sets forth the estimated allocation of the net proceeds for the core components and raw materials that we intend to purchase for meeting Envision Group's targeted purchase quantities for the financial year ending 31 December 2020:

Name of core components/raw materials	**Estimated allocation of net proceeds** *(RMB'million)*	**Percentage of net proceeds allocated for this use** *(%)*
Pitch drive controllers	5.3	28.3
Ultracapacitors	3.6	19.3
Pitch motors	5.3	28.5
Ancillary components *(Note)*	4.5	23.9
Total:	**18.7**	**100.0**

Note: Ancillary components include other components and raw materials of our pitch control systems, such as electric reactors and connective wires.

(2) approximately 38.6% or approximately RMB38.7 million (equivalent to approximately HK$43.0 million) will be used for the diversification of our customer base in our (i) pitch control system; (ii) wind power generation; (iii) operation and maintenance services; and (iv) wind energy related consultancy services businesses. We hence plan to utilise:

- approximately 3.6% or approximately RMB3.6 million (equivalent to approximately HK$4.0 million) to diversify our customer base in the pitch control systems market by increasing our marketing efforts through (i) developing and manufacturing prototypes of pitch control systems to potential clients to demonstrate the quality and functionality of our products; (ii) participating in various exhibitions in the wind power industry to promote the technical and R&D capabilities involved in our products and services; and (iii) recruiting two additional sales personnel to establish and strengthen business relationship with potential customers;

- approximately 31.2% or approximately RMB31.3 million (equivalent to approximately HK$34.8 million) for the investment into the development of a new distributed wind farm by Lingqiu Fengyuan in Lingqiu County in Datong of Shanxi Province through capital injection into Datong Fengyuan, which was approved by the relevant authority in December 2019 and is expected to commence operations in or around September 2021 and is expected to have an aggregate of 20MW installed capacity, for the generation and sales of electricity;

- approximately 3.8% or approximately RMB3.8 million (equivalent to approximately HK$4.2 million) for the recruitment of 70 additional service personnel to expand our wind farm operation and maintenance services;

(3) approximately 11.4% or approximately RMB11.5 million (equivalent to approximately HK$12.7 million), will be used for further strengthening our R&D capabilities to enrich our pitch control systems and solutions offering by (i) acquiring additional software and testing machines for testing used in the R&D process to facilitate efficient and cost effective quality testing process while reducing the need and cost to engage external testing labs; (ii) expanding our technical and R&D team by recruiting 13 additional personnel to enhance our R&D capabilities to serve the needs of customers covering both onshore and offshore wind power projects; and (iii) the development of (a) the integration technique and software for pitch drive controllers supplied by Supplier S as backup to the models currently procured from KEB Shanghai and for customers which have a preference for domestic pitch drive controllers, which is expected to be launched into the market in December 2020; and (b) commercially viable pitch control systems which are compatible with wind turbines with a rated power level of 8.0 MW and 12.0 MW for offshore wind power projects;

The table below sets forth the number of units of software and testing machines and their estimated costs to be purchased for the strengthening of our R&D capabilities:

	Number of units
Software(s)	
Computer-aided design programme	10
Data simulation programme	2
Data analysis programme	10
Total	22
Testing machine(s)	
Power quality analysis machine	4
Power grid simulation equipment	1
Alternating current power generator	1
Backup power testing bench	1
Integrated pitch motor testing bench	1
Temperature and humidity testing chamber	1
Total	9

The table below sets forth the number of new staff to be employed for our technical and R&D team to enhance our R&D capabilities:

Functions	*Number of employees*
Mechanical engineering (機械專業)	3
Electrical engineering (電氣專業)	2
Core algorithms (核心算法)	1
Energy electronics (電力電子)	1
Modification and upgrade expert (技改專業)	6
Total	13

(4) approximately 21.3% or approximately RMB21.4 million (equivalent to approximately HK$23.8 million), will be used for full repayment of a loan due to a third party by our Duolun Wind Farm in the aggregate principal sum of RMB21.4 million with 7.0% interests per annum which is to mature in 31 December 2020; as at the Latest Practicable Date, the outstanding principal sum of the aforesaid loan amounted to RMB21.4 million;

(5) approximately 10.0% or approximately RMB10.0 million (equivalent to approximately HK$11.2 million), will be used for our general working capital.

If the Offer Price is set at HK$2.60 per Share (being the high-end of the indicative range of the Offer Price), HK$2.00 per Share (being the low-end of the indicative range of the Offer Price) or any price in between, save for the net proceeds from the Global Offering intended for (i) the investment into the development of the new distributed wind farm in Lingqiu County in Datong of Shanxi Province and (ii) the full repayment of a loan due to a third party by our Duolun Wind Farm, we intend to apply the net proceeds to the aforesaid purposes on a pro rata basis.

Should our Directors decide to (i) re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or (ii) there is to be any material modification to the aforesaid future plans and use of proceeds, appropriate announcement(s) containing details of and reasons for such changes will be made by us in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the aforesaid purposes or if we are unable to effect any part of our future plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

IMPLEMENTATION PLANS

The following table sets forth our implementation plans for our business strategies from the Latest Practicable Date up to 31 December 2022:

	From the Latest Practicable Date to 31 December 2020	From 01/01/2021 to 30/06/2021	From 01/07/2021 to 31/12/2021	From 01/01/2022 to 30/06/2022	From 01/07/2022 to 31/12/2022	Total	% of net proceeds to be applied
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*	*%*
Purchases to fulfil the expected purchase quantities for Jiangyin Envision	18.7	—	—	—	—	18.7	18.7
Diversifying our customer base in the pitch control systems market by increasing our marketing efforts *(Note 1)*	0.7	0.9	1.5	—	0.5	3.6	3.6
Development of new distributed wind farm in Datong of Shanxi Province	—	31.3	—	—	—	31.3	31.2
Recruitment of 70 additional wind farm operation and maintenance services personnel	0.3	1.6	1.6	0.3	—	3.8	3.8
Further strengthening our R&D capabilities *(Note 2)*	5.0	3.0	3.1	0.3	0.1	11.5	11.4
Full repayment of a loan due to a third party by our Duolun Wind Farm	21.4	—	—	—	—	21.4	21.3
General working capital	2.0	2.0	2.0	2.0	2.0	10.0	10.0
Total	48.1	38.8	8.2	2.6	2.6	100.3	100.0
% of the net proceeds to be applied	48.0	38.7	8.2	2.6	2.5	100.0	

Notes:

(1) To diversify our customer base in the pitch control systems market by increasing our marketing efforts, we plan to apply the net proceeds on (i) developing and manufacturing prototypes of pitch control systems to potential clients; (ii) participating in various exhibitions in the wind power industry; and (iii) recruiting additional sales personnel. Please refer to "Use of Proceeds" above for further details. The implementation plans are set out as below:

	From the Latest Practicable Date to 31 December 2020	From 01/01/2021 to 30/06/2021	From 01/07/2021 to 31/12/2021	From 01/01/2022 to 30/06/2022	From 01/07/2022 to 31/12/2022	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Participating in various exhibitions in the wind power industry	50	200	873	—	450	1,573
Developing and manufacturing prototypes of pitch control systems to potential clients	554	554	554	—	—	1,663
Recruiting additional sales personnel	90	180	90	—	—	360
Sub-total	694	934	1,517	—	450	3,596

(2) To further strengthen our R&D capabilities to enrich our pitch control systems and solutions offering, we plan to apply the net proceeds on (i) acquiring additional software and testing machines for testing used in the R&D process; (ii) the expansion of our technical and R&D team; and (iii) the development of R&D projects. Please refer to "Use of Proceeds" above for further details. The implementation plans are set out as below:

	From the Latest Practicable Date to 31 December 2020	From 01/01/2021 to 30/06/2021	From 01/07/2021 to 31/12/2021	From 01/01/2022 to 30/06/2022	From 01/07/2022 to 31/12/2022	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Development of R&D projects	1,497	1,226	2,326	—	—	5,049
Acquiring additional software and testing machines for testing used in the R&D process	3,333	1,059	—	—	—	4,392
Expansion of our technical and R&D team	167	696	821	312	20	2,016
Sub-total	4,997	2,981	3,147	312	20	11,457

CORNERSTONE INVESTMENTS

As part of the International Placing, our Company, the Sole Sponsor, Fortune (HK) Securities Limited and Essence International Securities (Hong Kong) Limited, entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**", each a "**Cornerstone Investment Agreement**") with three cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to invest an aggregate of HK$50.0 million, for the subscription of 21,737,000 International Placing Shares in total, assuming that the Offer Price is HK$2.30 per Share (being the mid-point of the indicative range of the Offer Price) (the "**Cornerstone Placing**"). The aggregate amount of the investment contributed by the Cornerstone Investors do not include brokerage, SFC transaction levy, and Stock Exchange trading fee which the Cornerstone Investors will pay in respect of the International Placing Shares to be subscribed) by them.

Our Company is of the view that the cornerstone investments signifies the confidence of the Cornerstone Investors in our business and prospects. It also ensures a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering which helps to raise the profile of our Company and reduces the risk of undersubscription.

NUMBER OF INTERNATIONAL PLACING SHARES TO BE SUBSCRIBED BY THE CORNERSTONE INVESTORS

The information about the number of Offer Shares to be subscribed for by all of the Cornerstone Investors based on the total subscription price payable by all of the Cornerstone Investors (subject to the rounding down to the nearest whole board lot of 1,000 Shares) and the relevant assumption of the Offer Price, is set out below:

	Assuming that the Offer Price of HK$2.00 (being the low-end of the indicative range of the Offer Price)							
			Percentage to the initial number of our International Placing Shares		Percentage to the initial number of our Offer Shares		Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue	
Name of the Cornerstone Investors	Amount of Investment	Number of Shares agreed to be subscribed for	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(HK$ million)		*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
Goldenmars Technology Investments Limited	10.0	5,000,000	8.9	7.6	8.0	7.0	2.0	1.9
RXG GROUP INC	20.0	10,000,000	17.8	15.2	16.0	13.9	4.0	3.9
Mr. Zhang Zhenyu	20.0	10,000,000	17.8	15.2	16.0	13.9	4.0	3.9
Total	50.0	25,000,000	44.5	38.0	40.0	34.8	10.0	9.7

Assuming that the Offer Price of HK$2.30 (being the mid-point of the indicative range of the Offer Price)

Name of the Cornerstone Investors	Amount of Investment	Number of Shares agreed to be subscribed for[(1)]	Percentage to the initial number of our International Placing Shares — Assuming the Over-allotment is not exercised	Percentage to the initial number of our International Placing Shares — Assuming the Over-allotment is exercise in full	Percentage to the initial number of our Offer Shares — Assuming the Over-allotment is not exercised	Percentage to the initial number of our Offer Shares — Assuming the Over-allotment is exercise in full	Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue — Assuming the Over-allotment is not exercised	Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue — Assuming the Over-allotment is exercise in full
	(HK$ million)		*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
Goldenmars Technology Investments Limited	10.0	4,347,000	7.7	6.6	7.0	6.0	1.7	1.7
RXG GROUP INC	20.0	8,695,000	15.5	13.2	13.9	12.1	3.5	3.4
Mr. Zhang Zhenyu	20.0	8,695,000	15.5	13.2	13.9	12.1	3.5	3.4
Total	50.0	21,737,000	38.7	33.0	34.8	30.2	8.7	8.5

Assuming that the Offer Price of HK$2.60 (being the high-end of the indicative range of the Offer Price)

Name of the Cornerstone Investors	Amount of Investment	Number of Shares agreed to be subscribed for	Percentage to the initial number of our International Placing Shares — Assuming the Over-allotment is not exercised	Percentage to the initial number of our International Placing Shares — Assuming the Over-allotment is exercise in full	Percentage to the initial number of our Offer Shares — Assuming the Over-allotment is not exercised	Percentage to the initial number of our Offer Shares — Assuming the Over-allotment is exercise in full	Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue — Assuming the Over-allotment is not exercised	Percentage to the enlarged number of our Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue — Assuming the Over-allotment is exercise in full
	(HK$ million)		*(%)*	*(%)*	*(%)*	*(%)*	*(%)*	*(%)*
Goldenmars Technology Investments Limited	10.0	3,846,000	6.8	5.9	6.2	5.4	1.5	1.5
RXG GROUP INC	20.0	7,692,000	13.7	11.7	12.3	10.7	3.1	3.0
Mr. Zhang Zhenyu	20.0	7,692,000	13.7	11.7	12.3	10.7	3.1	3.0
Total	50.0	19,230,000	34.2	29.3	30.8	26.8	7.7	7.5

The investment contributed by the Cornerstone Investors will form part of the International Placing. The International Placing Shares to be subscribed for by the Cornerstone Investors (i) will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and the Capitalisation Issue and (ii) will be counted towards the public float of our Company under Rules 8.08 and 8.24 of the Listing Rules.

None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective cornerstone investment agreements. The actual number of our International Placing Shares to be allocated to each of the Cornerstone Investors may be subject to clawback, further information on which is set forth in the paragraph headed "Structure and conditions of Global Offering — The Hong Kong Public Offering — Reallocation and Clawback" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company.

To the best knowledge of our Company, each Cornerstone Investor is an Independent Third Party, is not our connected person or existing Shareholder or its close associate, and is independent of our connected persons and their respective close associates. The Cornerstone Investors are independent from each other and makes independent investment decisions.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, each of the Cornerstone Investors and their respective ultimate beneficial owners are Independent Third Parties. In addition, our Company confirms that (i) save for the Cornerstone Investment Agreements, there is no side arrangement between our Group and the Cornerstone Investors in connection with the International Placing; (ii) the Cornerstone Investors are not accustomed to take and have not taken any instructions in relation to the acquisition, disposal, voting or any other disposition of the Offer Shares from our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders or existing Shareholders, or any director, chief executive or shareholder of any of our subsidiaries, or their respective close associates; and (iii) the subscription of Offer Shares by the Cornerstone Investors are not financed by our Company, our Directors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders or existing Shareholders, or any director, chief executive or shareholder of any of our subsidiaries, or their respective close associates. Immediately after completion of the Global Offering, none of the Cornerstone Investors will have any representation in our Board, nor will they become substantial Shareholders. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

INFORMATION ON THE CORNERSTONE INVESTORS

We set forth below a brief description of the Cornerstone Investors, which has been provided by the respective Cornerstone Investors:

Goldenmars Technology Investments Limited ("Goldenmars Investments")

Goldenmars Investments is a company incorporated in the BVI, which is a wholly-owned subsidiary of Huabang Financial Holdings Limited ("**Huabang**", together with its subsidiaries, collectively the "**Huabang Group**"), a listed company on the Main Board of the Stock Exchange (stock code: 3638). Goldenmars Investments is an investment holding company. Huabang Group is principally engaged in financial services business and computer and peripheral products business. The financial services business that the Group operates mainly includes (i) securities brokerage business; (ii) money lending business; and (iii) advisory services business.

As confirmed by Goldenmars Investments, the proposed investment in our Shares by Goldenmars Investments does not require any approval from the shareholders of Huabang or from the Stock Exchange and its subscription under the cornerstone agreement is funded by its internal sources of funding.

Goldenmars Investments considers our business outlook to be positive and decided to invest in our Company which would be in line with its business plan.

RXG GROUP INC ("RXG")

RXG is a company incorporated in the BVI and is 100% held by Mr. Zhao Peng ("**Mr. Zhao**"). RXG is an investment holding company. Mr. Zhao is a director and a shareholder of Beijing Ruixingu Technology (Holding) Co., Ltd* (北京瑞芯穀科技有限公司, "**Beijing Ruixingu**"), a company established under the laws of the PRC, which primarily engages in underground pipeline radio-frequency identification related technology. To support our business expansion in pitch control systems related integration, manufacturing and sales, we obtained a short-term financing in the amount of RMB3.9 million from Beijing Ruixingu in December 2018, which has been fully repaid in January 2019. For details, please see "Financial Information — Indebtedness — Bank loans and other borrowings — Loans due to third parties" in this prospectus.

Mr. Zhao has been involved in power generation related business and became acquainted with Mr. Richard Cheng through a wind power industry related forum a few years ago. Since then, Mr. Zhao has paid close attention to the development of our Group, in particular, Jiangyin Hongyuan. Taking into account of our market position and high-quality customer resources and foreseeing the demand for high-voltage pitch control systems in the long-term, Mr. Zhao believes it is a good opportunity to invest in our Company.

As confirmed by RXG, its subscription under the cornerstone agreement is funded by its internal sources of funding.

Mr. Zhang Zhenyu (張震宇)

Mr. Zhang Zhenyu ("**Mr. Zhang**") is an investor in both Hong Kong and the PRC. Mr. Zhang invests in both public and private companies as well as debentures. He maintains investment portfolio covering listed company shares on Hong Kong Stock Exchange, New York Stock Exchange and NASDAQ in various sectors including e-commerce, aviation, car rental and food delivery. He is a shareholder and the general manager of an information technology company based in Guangzhou which primarily engages in R&D and provision of IT products and solutions including internet of things solutions for power grids, with more than ten registered patents and more than sixty registered software in the PRC. He also invests in a number of other private companies in the PRC (some with controlling and some with non-controlling stakes) which engage in businesses covering IT, electronics, agricultural and construction sectors.

Mr. Zhang has been considering to enrich his investment portfolio to cover the renewable energy sector and became acquainted with Mr. Richard Cheng through their common friend about three years ago and grasped the understanding of our Group's business and development potential, and considered it a good opportunity to invest in our Company.

As confirmed by Mr. Zhang, his subscription under the cornerstone agreement is funded by his own source of funding.

CONDITIONS PRECEDENT

The obligations of the Cornerstone Investors to subscribe for the International Placing Shares under the Cornerstone Investment Agreements are subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of these underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the Underwriters);

(c) the Listing Committee having granted the listing of, and permission to deal in, our Shares (including the Shares to be subscribed by the Cornerstone Investors and other applicable waivers and approval) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no Laws (as defined therein) shall have been enacted or promulgated by any Governmental Authority (as defined therein) which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings, and confirmations of the Cornerstone Investors are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreements on the part of the Cornerstone Investors.

Subject to fulfilment of the above condition precedents, the completion of the Cornerstone Placing shall occur simultaneously with the closing of the International Placing under the respective Cornerstone Investors Agreements, pursuant to which the investment amount payable by the respective Cornerstone Investors shall be settled upon the Listing Date and the timing and manner of delivery of such Shares issued and allotted pursuant to the Cornerstone Placing shall be the same as those Shares issued and allotted through International Placing.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Pursuant to the Cornerstone Investment Agreements, the Cornerstone Investors have agreed and undertaken that, without the prior written consent of our Company, the Sole Sponsor, Fortune (HK) Securities Limited and Essence International Securities (Hong Kong) Limited, they will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), directly or indirectly, among others, (i) dispose of, in any way, any Shares subscribed under the relevant Cornerstone Agreement above or any interest in any company or entity holding any such relevant Shares; (ii) allow itself to undergo a change of control (as defined in Takeovers Code promulgated by the SFC) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Notwithstanding the above, the Cornerstone Investors may transfer all or part of the relevant Shares to their respective wholly-owned subsidiaries, provided that the transferee will undertake that it will abide by the obligations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement.

HONG KONG UNDERWRITERS

Essence International Securities (Hong Kong) Limited
Fortune (HK) Securities Limited
Guosen Securities (HK) Capital Company Limited
BOCOM International Securities Limited
Elstone Securities Limited
Kingkey Securities Group Limited
Koala Securities Limited
Shanxi Securities International Limited
SPDB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and such listing and permission not subsequently being revoked, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators, for themselves and on behalf of the other Underwriters, and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators, for themselves and on behalf of the other Underwriters, the Global Offering will not proceed and will lapse. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe for or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to the termination by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters), in their joint and absolute opinion, with immediate effect by giving notice in writing to our Company if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

1. there has come to the notice of the Joint Global Coordinators:

   (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice to be published in connection with the Hong Kong Public Offering and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively the "**Relevant Documents**") was, when it was issued, or has become untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Relevant Documents is not, in the joint and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

   (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Relevant Documents, constitute a material omission therefrom; or

   (iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

   (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and our Controlling Shareholders (the "**Warrantors**") pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or under the International Underwriting Agreement; or

   (v) any change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, business prospects, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of our Group taken as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect, any of the representations, warranties, agreements and undertakings to be given by the Warrantors respectively in terms set out in the Hong Kong Underwriting Agreement; or

(vii) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Relevant Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of this prospectus, the Application Forms, the formal notice and/or documents in relation to the International Placing or to the issue of any of such documents; or

(x) that a petition or an order is presented for the winding up or liquidation of any member of our Group ("**Group Company**") or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or

(xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of our executive Directors and senior management members of our Group as set out in the section headed "Directors and senior management" in this prospectus; or

(xii) a portion of the orders in the book building process, which is considered by the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) in their reasonable opinion to be material, at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their joint and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

(xiii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) in their reasonable opinion to be material on our Group taken as a whole; or

2. there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), Middle East Respiratory Syndrome or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any material change or development involving a prospective material change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Tokyo Stock Exchange; or

(iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgement(s), decree(s) or ruling(s) of any governmental authority ("**Law(s)**"), or any change or development involving a prospective material change in existing Laws, or any event or circumstance or series of events or circumstances likely to result in any material change or development involving a prospective material change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the "**Specific Jurisdictions**"); or

(v) the imposition of any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or

(vii) a change or development involving a prospective material change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any material change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency), in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any material change or development involving a prospective material change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus; or

(ix) any material litigation or claim of any third party being threatened or instigated against any Group Company or any of the Warrantors; or

(x) any of our Directors and senior management members of our Company as set out in the section headed "Directors and senior management" in this prospectus being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his or her office; or

(xii) the commencement by any governmental, regulatory or political body or organisation of any action against any executive Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xiii) a contravention by any Group Company or any Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering; or

(xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the Over-allotment Shares pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus and the other Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or

which in each case individually or in aggregate in the joint and reasonable opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operations, financial, trading or other condition or prospects or risks of our Company or our Group taken as a whole or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(c) makes or will make or may make it inadvisable, inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented or proceeded with as envisaged or to market the Global Offering or shall otherwise result in a material interruption to or material delay thereof; or

(d) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance substantially in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that for six months from the Listing Date, we shall not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot and issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities) whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not and shall procure that the registered holders controlled by each of our Controlling Shareholders shall not:

(a) in the period commencing on the date by reference (the "**Reference Date**") on which disclosure of the shareholdings in our Company is made in this prospectus and ending on the date (the "**End Date**") which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan), any of our shares or securities of the Company owned by our Controlling Shareholders or their relevant registered holder(s), nominee or trustee (including any interest in any share in any company controlled by them which is, directly or indirectly the beneficial owner of our share or securities of our Company (the "**Relevant Securities**"); or

(b) in the period of six months commencing from the End Date, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favour of an authorised institution for a bona fide commercial loan) any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, he, she or it will:

(a) when he or she or it pledges or charges any shares beneficially owned by him or her or it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledges or charges together with the number of our securities so pledged or charged; and

(b) when he or she or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged shares beneficially owned by him or her or it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators and the Underwriters not to, and to procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depositary in connection with the issue of depositary receipts or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders have undertaken jointly and severally to each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the "**Controlled Entities**") shall not,

(a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the "**Relevant Securities**"), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be controlling shareholders (as defined in the Listing Rules) of our Company;

(iii) in the event that it/he/she enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six Months Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of our Controlling Shareholders have further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

(i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Underwriters' Interests in Our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the

International Placing Shares initially being offered pursuant to the International Placing. Please refer to the section headed "Structure and conditions of the Global Offering — The International Placing" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Stabilising Manager on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 9,375,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) an underwriting commission of 4.0% on the aggregate Offer Price of all the Offer Shares for both the Hong Kong Public Offering and International Placing (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters, but not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$2.30 per Offer Share (being the mid-point of the indicative Offer Price range of HK$2.00 to HK$2.60 per Offer Share), the aggregate commissions and fees, together with the Stock Exchange listing fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK$28.9 million in total payable by us.

Indemnity

We undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters (for themselves and on trust for their directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO is made within seven days of the expiration of the stabilising period.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

(i) the Hong Kong Public Offering of an initial 6,250,000 Hong Kong Public Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offering" in this section; and

(ii) the International Placing of an initial 56,250,000 International Placing Shares, subject to adjustment and the Over-allotment Option as mentioned below, outside the United States (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but cannot do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the U.S. in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation as described in the paragraph headed "Pricing and allocation" in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Pricing

The Offer Price is expected to be fixed by an agreement between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 8 October 2020 but in any event no later than Friday, 16 October 2020 and the Offer Shares are expected to be allocated shortly thereafter. If, for any reason, we and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Offer Price will not be more than HK$2.60 per Offer Share and is expected to be not less than HK$2.00 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Reduction in offer price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters), with our consent, considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, expected to be on Thursday, 8 October 2020, cause to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.jyhyne.com**, notice(s) or supplemental prospectus (as appropriate) in connection with the reduction in the number of Offer Shares and/or the indicative offer price range. **Applicants should have regard to the possibility that any notice or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such notice(s) or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds, the offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction(s). Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Upon the issuance of such notice or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or the revised offer price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised offer price range. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the notice or supplemental prospectus (as appropriate)) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the notice or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any notice or supplemental prospectus (as appropriate) in connection with a reduction in the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus being published on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the offer price range stated in this prospectus, and the number of Offer Shares will under no circumstances be fewer than the number stated in this prospectus.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of our Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants, although the allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

Announcement of Offer Price and Basis of Allocations

The Offer Price under the Global Offering, the level of indications of interest in the International Placing, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offering are expected to be announced on Monday, 19 October 2020, on our website (**www.jyhyne.com**) and on the Stock Exchange's website (**www.hkexnews.hk**) and in a variety of channels in the manner described in the section headed "How to apply for the Hong Kong Public Offer Shares — 11. Publication of results" in this prospectus. You should note that our website, and all information contained in our website, does not form part of this prospectus.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 6,250,000 Hong Kong Public Offer Shares at the Offer Price, representing 10% of the 62,500,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Public Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form or applying online through **White Form eIPO** service or the **electronic application instruction** to HKSCC submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up any International Placing Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Joint Global Coordinators will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Offer Shares in the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Underwriters, may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK$2.60 per Offer Share and is expected to be not less than HK$2.00 per Offer Share. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$2.60 on each Hong Kong Public Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee on each Hong Kong Public Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$2.60 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation and clawback referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B (subject to adjustment of odd lot size). The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee) and up to the value of pool A. For this purpose, the "subscription price" for the Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering, in relation to both pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by each applicant. The allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares. Multiple or suspected multiple applications within either pool or between pools and any application for more than 3,125,000 Hong Kong Public Offer Shares, being 50% of the Hong Kong Public Offer Shares initially being offered for subscription under the Hong Kong Public Offering, will be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation at the discretion of the Joint Global Coordinators, subject to the following:

(a) where the International Placing Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Public Offer Shares are undersubscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deems appropriate;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 6,250,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 12,500,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 18,750,000 Offer Shares (in the case of (1)), 25,000,000 Offer Shares (in the case of (2)) and 31,250,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;

(b) where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Public Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 6,250,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 12,500,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK$2.00 per Offer Share) according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

The International Placing will consist of initially 56,250,000 Offer Shares and is subject to adjustment and the Over-allotment Option, to be offered outside the United States (within the meaning of Regulation S) in reliance on Regulation S, including to professional investors in Hong Kong. The International Placing will be subject to, among other matters, the Hong Kong Public Offering becoming unconditional.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place our Offer Shares with institutional and professional investors expected to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Placing may change as a result of the clawback arrangement as described above in the paragraph headed "The Hong Kong Public Offering — Reallocation and clawback" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we expect to grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-Allotment Option, the International Underwriters will have the right, exercisable by the Stabilising Manager (on behalf of the International Underwriters) at any time from the Listing Date within 30 days from the last date for the lodging of applications under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 9,375,000 additional Offer Shares (representing 15% of the Offer Shares initially available under the Global Offering), at the same price per Offer Share under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, an announcement will be made.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with Hongyuan BVI, a controlling shareholder of our Company, to borrow, whether on its own or through any person acting for it, up to 9,375,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) and/or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Hongyuan BVI is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Hongyuan BVI or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and Hongyuan BVI. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to our Controlling Shareholders by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise, and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the International Underwriters, may, to the extent permitted by applicable laws in Hong Kong, over-allocate and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and ending on 7 November 2020, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising action which may be taken by the Stabilising Manager or any person acting for it may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity. Any such stabilising activities will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager or any person acting for it, and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be issued or sold upon exercise of the Over-allotment Option, being 9,375,000 Shares, which is 15% of our Offer Shares initially available under the Global Offering and before the exercise of the Over-allotment Option.

The Stabilising Manager or any person acting for it, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(a) purchase, or agree to purchase, our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

(b) in connection with any action described in paragraph (a) above:

(i) (A) over-allocate our Shares; or

(B) sell or agree to sell our Shares so as to establish a short position in them,

for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(ii) exercise the Over-allotment Option so as to purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (a) above in order to liquidate any position that has been established by such action; and/or

(iv) offer or attempt to do anything as described in paragraph (b)(i)(B), (b)(ii) or (b)(iii) above.

The Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which or the time period for which it or any person acting for it will maintain such a long position. Investors should be warned of the possible impact of any liquidation of any such long position by the Stabilising Manager or any person acting for it, and selling in the open market, which may have an adverse impact on the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the Listing Date and ends on 7 November 2020, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall.

Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

Our Company will ensure or procure that a public announcement will be made within seven days after the end of the stabilising period in compliance with the Securities and Futures (Price Stabilising) Rules.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to an aggregate of 9,375,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 9,375,000 Shares, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to the Stabilising Manager by the Joint Global Coordinators in relation to the stock borrowing arrangement.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including an additional 9,375,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined between us and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), and the execution and delivery of the price determination agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and not having been terminated in accordance with the terms of the respective Underwriting Agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason the Offer Price is not agreed on or before Friday, 16 October 2020 between us and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters), the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the website of our Company at **www.jyhyne.com** and on the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its respective terms.

Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, 19 October 2020 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 20 October 2020, the date of commencement of dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 20 October 2020, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 20 October 2020. Our Shares will be traded in board lots of 1,000 Shares each under our Company's stock code 1597.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 29 September 2020 to 12:00 noon on Thursday, 8 October 2020 from:

(i) the following addresses of the Hong Kong Underwriters:

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square, Central, Hong Kong

Fortune (HK) Securities Limited
43/F Cosco Tower, 183 Queen's Road Central, Hong Kong

Guosen Securities (HK) Capital Company Limited
Suites 3207–3212, 32/F, One Pacific Place, 88 Queensway, Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building, 68 Des Voeux Road Central, Hong Kong

Elstone Securities Limited
Suite 1601–04, 16/F, West Tower, Shun Tak Centre,
168–200 Connaught Road Central, Hong Kong

Kingkey Securities Group Limited
44/F Convention Plaza Office Tower, 1 Harbour Road, Wan Chai,
Hong Kong

Koala Securities Limited
Units 01–02, 13/F, Everbright Centre, 108 Gloucester Road, Wanchai,
Hong Kong

Shanxi Securities International Limited
Unit A, 29/F, Tower 1, Admiralty Center, 18 Harcourt Road, Admiralty,
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower, One Hennessy, 1 Hennessy Road, Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

District	**Branch name**	**Address**
Hong Kong Island	Taikoo Shing Branch	Shop G1006, Hoi Shing Mansion, Taikoo Shing, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112–125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 29 September 2020 until 12:00 noon on Thursday, 8 October 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — NATURE ENERGY PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- **9:00 a.m. to 5:00 p.m., Tuesday, 29 September 2020**
- **9:00 a.m. to 5:00 p.m., Wednesday, 30 September 2020**
- **9:00 a.m. to 1:00 p.m., Saturday, 3 October 2020**
- **9:00 a.m. to 5:00 p.m., Monday, 5 October 2020**
- **9:00 a.m. to 5:00 p.m., Tuesday, 6 October 2020**
- **9:00 a.m. to 5:00 p.m., Wednesday, 7 October 2020**
- **9:00 a.m. to 12:00 noon, Thursday, 8 October 2020**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 8 October 2020, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather and/or extreme conditions on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfil the criteria mentioned in the section entitled "personal collection" to collect share certificate(s) and/or refund cheque(s);

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 29 September 2020 until 11:30 a.m. on Thursday, 8 October 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 8 October 2020 or such later time under the paragraph headed "10. Effect of bad weather and/or extreme conditions on the opening of the applications lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "China Nature Energy Technology Holdings Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- **confirm** that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **9:00 a.m. to 8:30 p.m., Tuesday, 29 September 2020**
- **8:00 a.m. to 8:30 p.m., Wednesday, 30 September 2020**
- **8:00 a.m. to 1:00 p.m., Saturday, 3 October 2020**
- **8:00 a.m. to 8:30 p.m., Monday, 5 October 2020**
- **8:00 a.m. to 8:30 p.m., Tuesday, 6 October 2020**
- **8:00 a.m. to 8:30 p.m., Wednesday, 7 October 2020**
- **8:00 a.m. to 12:00 noon, Thursday, 8 October 2020**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 29 September 2020 until 12:00 noon on Thursday, 8 October 2020 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 8 October 2020, the last application day or such later time as described in "10. Effect of bad weather and/or extreme conditions on the opening of the application lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banker, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 8 October 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure and conditions of the Global Offering — Pricing and allocation" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- extreme conditions.

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 October 2020. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 8 October 2020 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or extreme conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Monday, 19 October 2020 on our Company's website at **www.jyhyne.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.jyhyne.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Monday, 19 October 2020;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 19 October 2020 to 12:00 midnight on Sunday, 25 October 2020;

- by telephone enquiry line by calling 2862 8555 between 9:00 a.m. and 6:00 p.m. on Monday, 19 October 2020, Tuesday, 20 October 2020, Wednesday, 21 October 2020, and Thursday, 22 October 2020;
- in the special allocation results booklets which will be available for inspection during opening hours on Monday, 19 October 2020 to Wednesday, 21 October 2020 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and conditions of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, 19 October 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, 19 October 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 19 October 2020 or such other date as announced by our Company.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, 19 October 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, 19 October 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 19 October 2020, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

  For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 19 October 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 19 October 2020, or such other date as announced by our Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, 19 October 2020 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 19 October 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, 19 October 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 19 October 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 19 October 2020. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 19 October 2020.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-67, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA NATURE ENERGY TECHNOLOGY HOLDINGS LIMITED AND FORTUNE FINANCIAL CAPITAL LIMITED

Introduction

We report on the historical financial information of China Nature Energy Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-67, which comprises the consolidated statements of financial position of the Group as at 31 December 2017, 2018, 2019 and 30 April 2020, the statements of financial position of the Company as at 31 December 2019 and 30 April 2020 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2017, 2018, 2019 and the four months ended 30 April 2020 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-67 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 September 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2017, 2018, 2019 and 30 April 2020, the Company's financial position as at 31 December 2019 and 30 April 2020 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises 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 four months ended April 30, 2019 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial

Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 20 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 September 2020

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

		Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	57,314	144,424	222,835	36,936	51,482
Cost of sales		(38,443)	(99,921)	(156,438)	(24,811)	(38,087)
Gross profit		18,871	44,503	66,397	12,125	13,395
Other revenue	*5(a)*	314	302	555	81	2,252
Other net income/(expense)	*5(b)*	13	81	—	—	(50)
Selling and distribution expenses		(1,291)	(2,171)	(2,598)	(1,309)	(1,037)
Administrative and other operating expenses		(1,804)	(3,642)	(7,707)	(634)	(6,935)
Profit from operations		16,103	39,073	56,647	10,263	7,625
Net finance costs	*6(a)*	(7,115)	(7,650)	(6,817)	(2,298)	(1,899)
Share of loss of joint ventures	*12*	—	—	(260)	—	(276)
Profit before taxation	*6*	8,988	31,423	49,570	7,965	5,450
Income tax	*7*	(1,289)	(3,548)	(6,881)	(898)	(1,214)
Profit for the year/period		7,699	27,875	42,689	7,067	4,236
Attributable to:						
Equity shareholders of the Company		6,401	26,843	42,545	6,977	4,209
Non-controlling interests		1,298	1,032	144	90	27
Profit for the year/period		7,699	27,875	42,689	7,067	4,236
Earnings per share	*10*					
Basic and diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

		Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit for the year/period		7,699	27,875	42,689	7,067	4,236
Other comprehensive income for the year/period (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")		164	(189)	(239)	—	(25)
Other comprehensive income for the year/period		164	(189)	(239)	—	(25)
Total comprehensive income for the year/period		7,863	27,686	42,450	7,067	4,211
Attributable to:						
Equity shareholders of the Company		6,565	26,654	42,306	6,977	4,184
Non-controlling interests		1,298	1,032	144	90	27
Total comprehensive income for the year/period		7,863	27,686	42,450	7,067	4,211

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		At 31 December			At 30 April
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	110,798	107,033	100,674	99,498
Interests in joint ventures	*12*	—	—	740	7
Deferred tax assets	*19(b)*	82	115	138	99
Other non-current asset		1,095	730	365	243
		111,975	107,878	101,917	99,847
Current assets					
Inventories	*13*	2,685	6,273	9,738	29,633
Trade and other receivables	*14*	79,266	123,837	149,302	139,962
Cash and cash equivalents	*15(a)*	2,065	2,202	35,632	36,507
Pledged deposits	*15(b)*	—	—	6,597	11,680
		84,016	132,312	201,269	217,782
Current liabilities					
Bank loans and other borrowings	*16*	50,594	85,104	79,677	74,777
Trade and other payables	*17*	47,032	64,212	92,314	110,961
Lease liabilities	*18*	—	278	325	330
Current taxation	*19(a)*	1,368	2,533	4,014	497
		98,994	152,127	176,330	186,565
Net current (liabilities)/assets		(14,978)	(19,815)	24,939	31,217
Total assets less current liabilities		96,997	88,063	126,856	131,064

The accompanying notes form part of the Historical Financial Information.

	Note	At 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000	At 30 April 2020 RMB'000
Non-current liabilities					
Bank loans and other borrowings	*16*	63,733	49,333	13,533	13,533
Trade and other payables	*17*	6,363	6,665	6,982	7,091
Lease liabilities	*18*	—	1,024	699	587
		70,096	57,022	21,214	21,211
NET ASSETS		26,901	31,041	105,642	109,853
CAPITAL AND RESERVES					
Share capital	*20*	—	—	—	—
Reserves	*20*	16,059	29,861	103,918	108,102
Total equity attributable to equity shareholders of the Company		16,059	29,861	103,918	108,102
Non-controlling interests		10,842	1,180	1,724	1,751
TOTAL EQUITY		26,901	31,041	105,642	109,853

The accompanying notes form part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	As at 31 December 2019 *RMB'000*	As at 30 April 2020 *RMB'000*
Non-current assets		
Interest in a subsidiary	28,520	28,520
NET ASSETS	28,520	28,520
CAPITAL AND RESERVES		
Share capital	—*	—
Reserves	28,520	28,520
TOTAL EQUITY	28,520	28,520

* *The balance represents amount less than RMB1,000.*

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(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 2017		—	3,000	2,253	(83)	4,324	9,494	9,544	19,038
Changes in equity for 2017:									
Profit for the year/period		—	—	—	—	6,401	6,401	1,298	7,699
Other comprehensive income		—	—	—	164	—	164	—	164
Total comprehensive income		—	—	—	164	6,401	6,565	1,298	7,863
Appropriation of reserve	*20(b)(ii)*	—	—	660	—	(660)	—	—	—
Balance at 31 December 2017 and 1 January 2018		—	3,000	2,913	81	10,065	16,059	10,842	26,901
Balance at 31 December 2017 and 1 January 2018		—	3,000	2,913	81	10,065	16,059	10,842	26,901
Changes in equity for 2018:									
Profit for the year/period		—	—	—	—	26,843	26,843	1,032	27,875
Other comprehensive income		—	—	—	(189)	—	(189)	—	(189)
Total comprehensive income		—	—	—	(189)	26,843	26,654	1,032	27,686
Appropriation of dividends to shareholders of subsidiaries		—	—	—	—	(9,507)	(9,507)	(7,249)	(16,756)
Appropriation of reserve	*20(b)(ii)*	—	—	2,571	—	(2,571)	—	—	—
Acquisition of non-controlling interests		—	729	—	—	—	729	(3,445)	(2,716)
Appropriation of deemed dividends to controlling shareholder		—	(4,074)	—	—	—	(4,074)	—	(4,074)
Balance at 31 December 2018 and 1 January 2019		—	(345)	5,484	(108)	24,830	29,861	1,180	31,041
Balance at 31 December 2018 and 1 January 2019		—	(345)	5,484	(108)	24,830	29,861	1,180	31,041
Changes in equity for 2019:									
Profit for the year/period		—	—	—	—	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	*20(b)(ii)*	—	—	867	—	(867)	—	—	—
Balance at 31 December 2019		—	31,406	6,351	(347)	66,508	103,918	1,724	105,642

The accompanying notes form part of the Historical Financial Information.

	Note	Attributable to equity shareholders of the Company							
		Share capital	Other reserve	PRC statutory reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2019 and 1 January 2020		—	31,406	6,351	(347)	66,508	103,918	1,724	105,642
Changes in equity for the four months ended 30 April 2020:									
Profit for the period		—	—	—	—	4,209	4,209	27	4,236
Other comprehensive income		—	—	—	(25)	—	(25)	—	(25)
Total comprehensive income		—	—	—	(25)	4,209	4,184	27	4,211
Balance at 30 April 2020			31,406	6,351	(372)	70,717	108,102	1,751	109,853
(Unaudited)									
Balance at 31 December 2018 and 1 January 2019		—	(345)	5,484	(108)	24,830	29,861	1,180	31,041
Changes in equity for the four months ended 30 April 2019:									
Profit for the period		—	—	—	—	6,977	6,977	90	7,067
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	6,977	6,977	90	7,067
Balance at 30 April 2019		—	(345)	5,484	(108)	31,807	36,838	1,270	38,108

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

		Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Operating activities						
Cash and cash equivalents (used in)/generated from operations	*15(c)*	(5,753)	(8,271)	57,734	4,907	12,201
Tax paid		(15)	(2,416)	(5,423)	(3,431)	(4,692)
Net cash and cash equivalents (used in)/generated from operating activities		(5,768)	(10,687)	52,311	1,476	7,509
Investing activities						
Payment for the acquisition of property, plant and equipment		(48,963)	(1,032)	(135)	(84)	(989)
Payment for acquisition of non-controlling interests		—	(2,716)	—	—	—
Capital injection in joint ventures		—	—	(1,000)	—	—
Proceeds from deregistration of joint ventures		—	—	—	—	457
Interest received		28	7	20	2	58
Net cash and cash equivalents used in investing activities		(48,935)	(3,741)	(1,115)	(82)	(474)

The accompanying notes form part of the Historical Financial Information.

		Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Financing activities						
Capital element of lease rentals paid	*15(d)*	—	(302)	(278)	(91)	(107)
Interest element of lease rentals paid	*15(d)*	—	(34)	(59)	(21)	(15)
Proceeds from bank loans	*15(d)*	47,252	2,330	14,900	4,900	—
Repayment of bank loans	*15(d)*	—	(17,270)	(14,400)	—	(4,900)
Proceeds from new loans from related parties	*15(d)*	10,871	29,653	44,441	19,481	—
Proceeds from new loans from third parties	*15(d)*	—	25,582	10,790	—	—
Repayment of loans due to related parties	*15(d)*	(506)	(6,188)	(42,226)	(5,210)	—
Repayment of loans due to third parties	*15(d)*	(500)	(13,997)	(22,981)	(3,900)	—
Interest paid	*15(d)*	(2,574)	(5,209)	(4,279)	(659)	(1,138)
Deemed dividends paid to controlling shareholder		—	—	(4,074)	(4,074)	—
Capital injection from non-controlling shareholders of subsidiaries		—	—	400	—	—
Net cash and cash equivalents generated from/(used in) financing activities		54,543	14,565	(17,766)	10,426	(6,160)
Net (decrease)/increase in cash and cash equivalents		(160)	137	33,430	11,820	875
Cash and cash equivalents at the beginning of the year/period		2,225	2,065	2,202	2,202	35,632
Cash and cash equivalents at the end of the year/period	*15(a)*	2,065	2,202	35,632	14,022	36,507
Significant non-cash financing activities						
Loans waived by controlling shareholder		—	—	31,751	—	—

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL 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 is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, "the Group") are principally 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").

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by China Transport Real Time Service Co., Ltd. ("China Transport") and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent a group reorganisation (the "Reorganisation"), as detailed in the section headed "History, Development and Reorganisation" in the Prospectus. Upon completion of the Reorganisation on 27 December 2019, the Company became the holding company of the Group. As China Transport was ultimately owned and controlled by Mr. Cheng Liquan Richard before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group, the Reorganisation only involved inserting a newly formed entity with no substantive operations as the new holding company of China Transport, the former holding company of the Group. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of China Transport with the assets and liabilities of China Transport recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no statutory financial statements have been prepared for the Company and China Transport, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Name of Company	Place and date of incorporation/ establishment	Issued and paid-up capital/registered capital	Percentage of equity attributed to the Company		Principal activities	Name of statutory auditor
			Direct	*Indirect*		
China Transport Real Time Service Co., Ltd.	The British Virgin Islands 25 May 2011	United States Dollar ("US$") 1	100%	—	Investment holding	Not applicable
Jiangyin Hongyuan New Energy Technology Co., Ltd. ("Jiangyin Hongyuan") (江陰弘遠新能源科技有限公司) *(Note (a) and (c))*	The PRC 15 October 2015	US$4,000,000/ US$4,000,000	—	100%	Integration, manufacturing and sales of pitch control systems and related components and wind farm operation and maintenance business	Wuxi Dafang Certified Public Accountants Co., Ltd. (無錫大方會計師事務所有限公司)
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) *(Note (a) and (b))*	The PRC 28 June 2013	RMB5,000,000/ RMB5,000,000	—	100%	Investment holding	Not applicable
Datang Gucang Duolun New Energy Co., Ltd. ("Datang Gucang") (大唐谷倉多倫新能源有限公司) *(Note (a) and (b))*	The PRC 26 July 2013	RMB33,000,000/ RMB33,000,000	—	96.97%	Wind power generation and sales	Not applicable
Datong Fengze Energy Technology Co., Ltd. (大同灃澤能源科技有限公司) *(Note (a) and (d))*	The PRC 11 July 2019	RMB900,000/ RMB6,000,000	—	60%	Investment holding	Not applicable
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) *(Note (a) and (d))*	The PRC 29 July 2019	RMB500,000/ RMB4,500,000	—	60%	Wind power generation and sales	Not applicable

Notes:

(a) These entities are enterprises established in the PRC. The official names of these entities are in Chinese. The English translation of the company names is for reference only.

(b) As of date of this letter, no statutory financial statements have been prepared by this company during the Relevant Periods.

(c) The statutory financial statements of this company for the years ended 31 December 2017, 2018 and 2019 were prepared in accordance with the Accounting Standards for Small Enterprises applicable to the small enterprises in the PRC.

(d) As of date of this letter, no statutory financial statements have been prepared by this company for the year ended 31 December 2019 as it was incorporated in July 2019.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has 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 and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs including IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, which are mandatory for the financial year beginning 1 January 2018, and IFRS 16 *Leases*, which is mandatory for the financial period beginning on 1 January 2019, to the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2020 and not adopted in the Historical Financial Information are set out in Note 24.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand, unless otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the assets and liabilities are stated at their fair value as explained in the accounting policies set out below.

(b) Use of estimates and judgements

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) 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.

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(l).

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(d)).

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).

(d) 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.

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.

(e) 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 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(r)).

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

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.

(f) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such expenses as an asset are generally not met until late in the development stage of the project when the remaining development expenses are immaterial. Hence both research and development expenses are generally recognised as expenses in the period in which they are incurred.

(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.

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(e) and (h)).

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 Group presents right-of-use assets in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables).

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; and

— 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 and other 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 (including loan commitments issued), 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.

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 180 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.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(q)(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

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

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.

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) 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.

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)).

(k) 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).

(l) 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.

(m) 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(r)).

(n) 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.

(o) 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.

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:

    — 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.

(p) 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.

(q) 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.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method.

(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.

(r) 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.

(s) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods 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.

(t) 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.

(u) 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.

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 and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and other 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.

(iv) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised only if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

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:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of pitch control systems and related components	36,952	118,787	180,374	27,746	35,630
Sales of wind power	19,250	21,384	20,211	7,231	5,841
Wind farm operation and maintenance business	1,112	4,253	19,752	1,959	10,011
Provision of wind energy related consultancy services	—	—	2,498	—	—
	57,314	144,424	222,835	36,936	51,482

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

The Group had transactions with two, two, two, two and three customers exceeding 10% individually of its total revenue for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, 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 RMB55,311,000, RMB144,424,000, RMB196,019,000, RMB36,823,000 and RMB50,882,000 for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020. Details of concentrations of credit risk arising from the customers are set out in Note 21(a).

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

As at 31 December 2017, 2018 and 2019 and 30 April 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 and property and plant and equipment, with the exception of interests in joint ventures, deferred tax assets, cash and cash equivalents and pledged deposits.

The measure used for reporting segment profit is gross profit.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the Relevant Periods is set out below:

	Year ended 31 December 2017			
	Sales of pitch control systems and related components	**Sales of wind power**	**Wind farm operation and maintenance business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	36,952	19,250	1,112	57,314
Reportable segment profit	7,615	11,155	101	18,871
Reportable segment assets	44,043	149,349	452	193,844

	Year ended 31 December 2018			
	Sales of pitch control systems and related components	**Sales of wind power**	**Wind farm operation and maintenance business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	118,787	21,384	4,253	144,424
Reportable segment profit	30,248	13,160	1,095	44,503
Reportable segment assets	90,141	144,635	3,097	237,873

	Year ended 31 December 2019				
	Sales of pitch control systems and related components	**Sales of wind power**	**Wind farm operation and maintenance business**	**Provision of wind energy related consultancy services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

	Four months ended 30 April 2019 (unaudited)			
	Sales of pitch control systems and related components	Sales of wind power	Wind farm operation and maintenance business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	27,746	7,231	1,959	36,936
Reportable segment profit	6,991	4,449	685	12,125

	Four months ended 30 April 2020			
	Sales of pitch control systems and related components	Sales of wind power	Wind farm operation and maintenance business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	35,630	5,841	10,011	51,482
Reportable segment profit	7,194	3,316	2,885	13,395
Reportable segment assets	134,483	116,906	17,947	269,336

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

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Reportable segment revenue	57,314	144,424	222,835	36,936	51,482
Consolidated revenue	57,314	144,424	222,835	36,936	51,482
Profit					
Reportable segment profit	18,871	44,503	66,397	12,125	13,395
Other revenue	314	302	555	81	2,252
Other net income/ (expense)	13	81	—	—	(50)
Selling and distribution expenses	(1,291)	(2,171)	(2,598)	(1,309)	(1,037)
Administrative and other operating expenses	(1,804)	(3,642)	(7,707)	(634)	(6,935)
Net finance costs	(7,115)	(7,650)	(6,817)	(2,298)	(1,899)
Share of loss of joint ventures	—	—	(260)	—	(276)
Consolidated profit before taxation	8,988	31,423	49,570	7,965	5,450

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Reportable segment assets	193,844	237,873	260,079	269,336
Interest in joint ventures	—	—	740	7
Deferred tax assets	82	115	138	99
Cash and cash equivalents	2,065	2,202	35,632	36,507
Pledged deposits	—	—	6,597	11,680
Consolidated total assets	195,991	240,190	303,186	317,629

(iii) Geographic information

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

5 OTHER REVENUE AND OTHER NET INCOME

(a) Other revenue

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Government subsidies *(Note i)*	4	302	555	81	309
VAT refund *(Note ii)*	—	—	—	—	1,943
Others	310	—	—	—	—
	314	302	555	81	2,252

Notes:

(i) During the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, the Group received unconditional government subsidies of RMB4,000, RMB302,000, RMB555,000, RMB81,000 and RMB309,000 respectively, as encouragement of their contribution in technology development and local economy.

(ii) 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 30 April 2020, the Group received such VAT refund of RMB1,943,000.

(b) Other net income/(expense)

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net exchange gain	13	81	—	—	—
Other	—	—	—	—	(50)
	13	81	—	—	(50)

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on bank loans	2,574	3,391	2,928	795	779
Interest expenses on loans due to related parties	118	246	144	77	—
Interest expenses on loans due to third parties	4,163	3,684	3,389	1,250	1,045
Interest expense on lease liabilities	—	34	59	21	15
Others	288	302	317	157	118
	7,143	7,657	6,837	2,300	1,957
Interest income	(28)	(7)	(20)	(2)	(58)
Net finance costs	7,115	7,650	6,817	2,298	1,899

(b) Staff costs

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	5,337	10,196	9,930	2,853	3,699
Contributions to defined contribution retirement plan	272	687	813	332	210
	5,609	10,883	10,743	3,185	3,909

(c) Other items

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of inventories recognised as expenses *(Note i)*	29,061	88,263	142,202	20,755	34,699
Depreciation of property, plant and equipment	5,961	6,401	6,494	2,161	2,165
Research and development expenses *(Note ii)*	2,069	5,371	5,391	1,345	2,349
Provision/(reversal) of loss allowance on trade and other receivables	330	441	146	(204)	(258)
Listing expenses *(Note iii)*	—	—	4,860	—	5,716
Auditors' remuneration	—	—	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) Research and development expenses include amounts relating to staff costs and depreciation of property, plant and equipment, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

(iii) Listing expenses include auditors' remuneration of RMB1,247,000 for the year ended 31 December 2019 in respect of the proposed initial public offering of the Company.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax — PRC Corporate Income Tax					
Provision for the year/period	1,371	3,581	6,904	868	1,175
Deferred tax					
Origination and reversal of temporary differences *(Note 19(b))*	(82)	(33)	(23)	30	39
	1,289	3,548	6,881	898	1,214

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 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 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, 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 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:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation	8,988	31,423	49,570	7,965	5,450
Notional tax on profit before taxation, calculated at the PRC statutory tax rate of 25%	2,247	7,856	12,392	1,991	1,363
Tax effect of non-deductible expenses	—	85	885	21	1,694
Additional deductions for research and development expenses	(215)	(1,003)	(1,193)	(252)	(486)
Tax effect of tax losses not recognised	809	705	559	276	269
Effect of PRC tax concessions obtained	(1,552)	(4,095)	(5,762)	(1,138)	(1,626)
Actual tax expense	1,289	3,548	6,881	898	1,214

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	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	2017 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Cheng Liquan Richard	—	—	—	—	—
Cheng Lifu Cliff	—	107	—	—	107
	—	107	—	—	107

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	2018 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Cheng Liquan Richard	—	—	—	—	—
Cheng Lifu Cliff	—	142	—	—	142
	—	142	—	—	142

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	2019 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Cheng Liquan Richard	—	—	—	—	—
Cheng Lifu Cliff	—	533	—	—	533
	—	533	—	—	533

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	Four months ended 30 April 2019 Total
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Executive directors					
Cheng Liquan Richard	—	—	—	—	—
Cheng Lifu Cliff	—	160	—	—	160
	—	160	—	—	160

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Contributions to defined contribution retirement plan	Four months ended 30 April 2020 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Cheng Liquan Richard	—	—	—	—	—
Cheng Lifu Cliff	—	190	—	—	190
Non-Executive directors					
Wang Lubin	—	—	—	—	—
Li Hao	—	—	—	—	—
	—	190	—	—	190

Mr. Cheng Liquan Richard and Mr. Cheng Lifu Cliff were appointed as executive directors of the Company on 28 November 2019 and 17 March 2020, respectively. Mr. Wang Lubin and Mr. Li Hao were appointed as non-executive directors of the Company on 19 March 2020. All the executive directors are key management personnel of the Group during the Relevant Periods and their remuneration disclosed above include those for services rendered by them as key management personnel.

9 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, zero, one, one, one and one is director during the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the paid amount to remaining individuals of the Group are as follows:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	659	557	523	152	259
Discretionary bonuses	105	50	78	40	—
Contributions to defined contribution retirement plan	39	26	109	23	60
	803	633	710	215	319

The emoluments of the five, four, four, four and four individuals with the highest emoluments during the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, respectively, are within the following bands:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals*	*Number of individuals*
RMB nil to RMB1,000,000	5	4	4	4	4

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods using the basis of preparation as disclosed in Note 1.

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 2017	3,032	4,989	113,047	157	121,225
Additions	—	—	358	87	445
At 31 December 2017 and 1 January 2018	3,032	4,989	113,405	244	121,670
Additions	24	1,604	752	256	2,636
At 31 December 2018 and 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	—	—	664	325	989
At 30 April 2020	3,056	6,593	114,911	870	125,430
Accumulated depreciation:					
At 1 January 2017	(51)	(230)	(4,598)	(32)	(4,911)
Charge for the year	(61)	(276)	(5,551)	(73)	(5,961)
At 31 December 2017 and 1 January 2018	(112)	(506)	(10,149)	(105)	(10,872)
Charge for the year	(62)	(575)	(5,652)	(112)	(6,401)
At 31 December 2018 and 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 period	(21)	(188)	(1,911)	(45)	(2,165)
At 30 April 2020	(256)	(1,836)	(23,445)	(395)	(25,932)
Net book value:					
At 31 December 2017	2,920	4,483	103,256	139	110,798
At 31 December 2018	2,882	5,512	98,356	283	107,033
At 31 December 2019	2,821	4,945	92,713	195	100,674
At 30 April 2020	2,800	4,757	91,466	475	99,498

Notes:

(i) As at 31 December 2017, 2018 and 2019 and 30 April 2020, property certificates of certain properties with an aggregate net book value of RMB4,483,000, RMB4,230,000, RMB3,983,000 and RMB3,901,000, 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:

		At 31 December		**At 30 April**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land	2,920	2,882	2,821	2,800
Generators and other equipment	74,187	70,104	66,020	64,659
	77,107	72,986	68,841	67,459

(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:

		At 31 December		**At 30 April**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land held for own use, carried at depreciated cost	2,920	2,882	2,821	2,800
Plant and buildings leased for own use, carried at depreciated cost	—	1,283	962	855
	2,920	4,165	3,783	3,655

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

		At 31 December		**At 30 April**
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:				
Leasehold land	61	62	61	21
Plant and buildings	—	321	321	107
	61	383	382	128
Interest on lease liabilities *(Note 6(a))*	—	34	59	15
Expense relating to short-term leases	223	164	132	39

12 INTERESTS IN JOINT VENTURES

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	—	—	740	7
Share of loss	—	—	260	276

Details of the Group's interests in joint ventures which is accounted for using equity method in the Historical Financial Information are set out below:

				Proportion of ownership interest			
Name of Joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Datong Fengyuan Energy Technology Co., Ltd. (大同灃沅能源科技有限公司)	Incorporated	The PRC	RMB1,000,000	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	RMB500,000	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	50%	—	50%	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	50%	—	50%	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 Technology Co., Ltd. was deregistered on 26 February 2020.

The information of joint ventures is as follow:

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of joint ventures in the consolidated statements of financial position	—	—	740	7

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
The Group's share of joint ventures					
Loss from operations	—	—	(260)	—	(276)
Total comprehensive income	—	—	(260)	—	(276)

13 INVENTORIES

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

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	2,685	6,273	7,551	17,348
Finished goods	—	—	132	12,285
Goods in transit	—	—	2,055	—
	2,685	6,273	9,738	29,633

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

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories sold	29,061	88,263	142,202	20,755	34,699
Provision for write-down of inventories	—	—	—	—	—
	29,061	88,263	142,202	20,755	34,699

All inventories are expected to be recovered within one year.

14 TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivable, net of loss allowance	72,719	121,293	145,372	133,438
Prepayments	1,032	75	1,878	1,294
Other receivables	5,515	2,469	2,052	5,230
Total	79,266	123,837	149,302	139,962

Trade and bills receivable

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	69,420	110,670	133,917	83,765
Bills receivable	3,629	11,394	12,372	50,332
	73,049	122,064	146,289	134,097
Less: loss allowance	(330)	(771)	(917)	(659)
	72,719	121,293	145,372	133,438

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

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	55,452	91,919	126,317	129,757
Over 1 year but within 2 years	8,783	12,107	—	3,681
Over 2 years but within 3 years	8,484	8,783	12,107	—
Over 3 years but within 5 years	—	8,484	6,948	—
	72,719	121,293	145,372	133,438

Generally, the Group's trade receivables are due within 30 to 90 days from the date of billing, except for the tariff premium, representing 54%, 53%, 55%, 58% and 58% of total wind power sales for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 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.

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.

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

As at 31 December 2017, 2018 and 2019 and 30 April 2020, bills receivable of RMB nil, RMB nil, RMB6,000,000 and RMB13,397,000 were pledged as security for issuance of bills payable, respectively.

15 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

(a) Cash and cash equivalents comprise:

	At 31 December 2017	2018	2019	At 30 April 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	2,058	2,192	35,622	36,497
Cash in hand	7	10	10	10
	2,065	2,202	35,632	36,507

(b) Pledged deposits comprise:

	At 31 December 2017	2018	2019	At 30 April 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged deposits for issuance of bills payable	—	—	6,597	11,680

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

(c) Reconciliation of profits before taxation to net cash and cash equivalents used in/generated from operations

		Year ended 31 December			Four months ended 30 April	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		8,988	31,423	49,570	7,965	5,450
Adjustments for:						
— Depreciation of property, plant and equipment	*6(c)*	5,961	6,401	6,494	2,161	2,165
— Net finance costs	*6(a)*	7,115	7,650	6,817	2,298	1,899
— Other net (income)/expense	*5(b)*	(13)	(81)	—	—	50
— Share of loss of joint ventures	*12*	—	—	260	—	276
— Provision/(reversal) of loss allowance on trade and other receivables	*6(c)*	330	441	146	(204)	(258)
Changes in working capital:						
(Increase)/decrease in inventories		(1,950)	(3,588)	(3,465)	1,073	(19,895)
(Increase)/decrease in trade and other receivables		(49,921)	(45,012)	(25,611)	1,624	9,599
Increase in pledged deposits		—	—	(6,597)	—	(5,083)
Increase/(decrease) in trade and other payables		23,737	(5,505)	30,120	(10,010)	17,998
Net cash and cash equivalents (used in)/generated from operations		(5,753)	(8,271)	57,734	4,907	12,201

(d) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings	Interest payable	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 16)	*(Note 17)*	*(Note 18)*	
At 1 January 2017	57,210	10,697	—	67,907
Changes from financing cash flows:				
Proceeds from bank loans	47,252	—	—	47,252
Proceeds from new loans from related parties	10,871	—	—	10,871
Repayment of loans due to related parties	(506)	—	—	(506)
Repayment of loans due to third parties	(500)	—	—	(500)
Interest paid	—	(2,574)	—	(2,574)
Total changes from financing cash flows	57,117	(2,574)	—	54,543
Other changes:				
Interest expenses *(Note 6(a))*	—	6,855	—	6,855
At 31 December 2017	114,327	14,978	—	129,305

	Bank loans and other borrowings *RMB'000* *(Note 16)*	Interest payable *RMB'000* *(Note 17)*	Lease liabilities *RMB'000* *(Note 18)*	Total *RMB'000*
At 31 December 2017 and 1 January 2018	114,327	14,978	—	129,305
Changes from financing cash flows:				
Capital element of lease rentals paid	—	—	(302)	(302)
Interest element of lease rentals paid	—	—	(34)	(34)
Proceeds from bank loans	2,330	—	—	2,330
Repayment of bank loans	(17,270)	—	—	(17,270)
Proceeds from new loans from related parties	29,653	—	—	29,653
Proceeds from new loans from third parties	25,582	—	—	25,582
Repayment of loans due to related parties	(6,188)	—	—	(6,188)
Repayment of loans due to third parties	(13,997)	—	—	(13,997)
Interest paid	—	(5,209)	—	(5,209)
Total changes from financing cash flows	20,110	(5,209)	(336)	14,565
Other changes:				
Interest expenses *(Note 6(a))*	—	7,321	34	7,355
New leases	—	—	1,604	1,604
At 31 December 2018 and 1 January 2019	134,437	17,090	1,302	152,829

	Bank loans and other borrowings *RMB'000* *(Note 16)*	Interest payable *RMB'000* *(Note 17)*	Lease liabilities *RMB'000* *(Note 18)*	Total *RMB'000*
At 31 December 2018 and 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

	Bank loans and other borrowings *RMB'000* *(Note 16)*	Interest payable *RMB'000* *(Note 17)*	Lease liabilities *RMB'000* *(Note 18)*	Total *RMB'000*
At 31 December 2019 and 1 January 2020	93,210	19,272	1,024	113,506
Changes from financing cash flows:				
Capital element of lease rentals paid	—	—	(107)	(107)
Interest element of lease rentals paid	—	—	(15)	(15)
Repayment of bank loans	(4,900)	—	—	(4,900)
Interest paid	—	(1,138)	—	(1,138)
Total changes from financing cash flows	(4,900)	(1,138)	(122)	(6,160)
Other changes:				
Interest expenses *(Note 6(a))*	—	1,824	15	1,839
At 30 April 2020	88,310	19,958	917	109,185
(Unaudited) **At 31 December 2018 and 1 January 2019**	134,437	17,090	1,302	152,829
Changes from financing cash flows:				
Capital element of lease rentals paid	—	—	(91)	(91)
Interest element of lease rentals paid	—	—	(21)	(21)
Proceeds from bank loans	4,900	—	—	4,900
Proceeds from new loans from related parties	19,481	—	—	19,481
Repayment of loans due to related parties	(5,210)	—	—	(5,210)
Repayment of loans due to third parties	(3,900)	—	—	(3,900)
Interest paid	—	(659)	—	(659)
Total changes from financing cash flows	15,271	(659)	(112)	14,500
Other changes:				
Interest expenses *(Note 6(a))*	—	2,122	21	2,143
At 30 April 2019	149,708	18,553	1,211	169,472

(e) Total cash outflow for leases

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

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within operating cash flows	223	164	132	31	39
Within financing cash flows	—	336	337	112	122
	223	500	469	143	161

These amounts relate to the following:

	Year ended 31 December			Four months ended 30 April	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Lease rentals paid	223	500	469	143	161

16 BANK LOANS AND OTHER BORROWINGS

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Bank loans *(Note (a) below)*	14,940	14,400	29,300	24,400
Loans due to related parties *(Note (b) below)*	13,154	29,536	—	—
Loans due to third parties *(Note (c) below)*	22,500	41,168	50,377	50,377
	50,594	85,104	79,677	74,777
Non-current				
Bank loans *(Note (a) below)*	42,333	27,933	13,533	13,533
Loans due to third parties *(Note (c) below)*	21,400	21,400	—	—
	63,733	49,333	13,533	13,533
	114,327	134,437	93,210	88,310

(a) Bank loans

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

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term bank loans	2,640	—	14,900	10,000
Current portion of long-term bank loans	12,300	14,400	14,400	14,400
Within 1 year or on demand	14,940	14,400	29,300	24,400
After 1 year but within 2 years	14,400	14,400	13,533	13,533
After 2 years but within 5 years	27,933	13,533	—	—
	42,333	27,933	13,533	13,533
	57,273	42,333	42,833	37,933

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

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Secured *(Note)*	54,633	42,333	27,933	27,933
— Unsecured	2,640	—	14,900	10,000
	57,273	42,333	42,833	37,933

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

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold land *(Note 11)*	2,920	2,882	2,821	2,800
Generators and other equipment *(Note 11)*	74,187	70,104	66,020	64,659
	77,107	72,986	68,841	67,459

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.

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees to banks for granting banking facilities	—	—	4,900	—

(b) Loans due to related parties

At 31 December 2017, the loans due to related parties were subject to an interest rate ranging from 0% to 10% per annum, were unsecured and have no fixed repayment terms. At 31 December 2018, the loans due to related parties were interest-free, unsecured and have no fixed repayment terms.

(c) Loans due to third parties

At 31 December 2017, the non-current portion of loans due to third parties represented a loan of RMB21,400,000, which was subject to an interest rate of 10% per annum, were unsecured and repayable on 31 December 2020. At 31 December 2018, the non-current portion of loans due to third parties represented a loan of RMB21,400,000, which was subject to an interest rate of 7% per annum, were unsecured and repayable on 31 December 2020.

At 31 December 2017, the current portion of loans due to third parties represented loans, which were subject to an interest rate ranging from 0% to 10% per annum, were unsecured and have no fixed repayment terms. At 31 December 2018 and 2019 and 30 April 2020, the current portion of loans due to third parties represented loans, which were subject to an interest rate ranging from 0% to 7% per annum, were unsecured and have no fixed repayment terms or repayable within one year.

17 TRADE AND OTHER PAYABLES

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Trade payables *(Note (a) below)*	29,095	23,287	24,418	19,655
Bills payable	—	—	26,804	53,245
Other payables *(Note (b) below)*	17,937	40,925	41,092	38,061
	47,032	64,212	92,314	110,961
Non-current				
Other payables *(Note (b) below)*	6,363	6,665	6,982	7,091
	53,395	70,877	99,296	118,052

(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:

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 month	22,486	14,297	22,116	17,530
3 to 6 months	—	43	177	—
6 to 12 months	187	26	—	—
Over 12 months	6,422	8,921	2,125	2,125
	29,095	23,287	24,418	19,655

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

(b) Other payables

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest payable due to related parties	118	364	508	—
Interest payable due to third parties	14,860	16,726	18,764	19,809
Interest payable due to bank	—	—	—	149
Payable for deemed dividends to controlling shareholder	—	4,074	—	—
Dividends payable to shareholders of subsidiaries	—	16,756	16,756	16,756
Payables for staff related costs	993	1,765	1,042	496
Others	8,329	7,905	11,004	7,942
	24,300	47,590	48,074	45,152
Represented by:				
Current liabilities	17,937	40,925	41,092	38,061
Non-current liabilities	6,363	6,665	6,982	7,091
	24,300	47,590	48,074	45,152

18 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting periods:

	31 December 2017		31 December 2018		31 December 2019		30 April 2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	—	278	337	325	370	330	370
After 1 year but within 2 years	—	—	325	370	340	370	347	370
After 2 years but within 5 years	—	—	699	740	359	370	240	248
After 5 years	—	—	—	—	—	—	—	—
	—	—	1,024	1,110	699	740	587	618
	—	—	1,302	1,447	1,024	1,110	917	988
Less: total future interest expenses		—		(145)		(86)		(71)
Present value of lease liabilities		—		1,302		1,024		917

19 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	12	1,368	2,533	4,014
Provision for the year/period:				
— PRC Corporate Income Tax	1,371	3,581	6,904	1,175
Tax paid:				
— PRC Corporate income Tax	(15)	(2,416)	(5,423)	(4,692)
At the end of the year/period	1,368	2,533	4,014	497

(b) Deferred tax assets recognised represents:

	Loss allowance for trade and other receivables
	RMB'000
At 1 January 2017	—
Recognised in profit or loss	82
At 31 December 2017 and 1 January 2018	82
Recognised in profit or loss	33
At 31 December 2018 and 1 January 2019	115
Recognised in profit or loss	23
At 31 December 2019 and 1 January 2020	138
Recognised in profit or loss	(39)
At 30 April 2020	99

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2, the Group has not recognised deferred tax assets of RMB879,000, RMB1,584,000, RMB2,143,000 and RMB2,412,000 respectively, in respect of cumulative tax losses of RMB3,516,000, RMB6,337,000, RMB8,575,000 and RMB9,646,000 as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively, 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 do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2017, 2018 and 2019 and 30 April 2020, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB17,903,000, RMB26,497,000, RMB70,985,000 and RMB80,616,000. Deferred tax liabilities of RMB1,790,000, RMB2,650,000, RMB7,099,000 and RMB8,062,000 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.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

For the purpose of the Historical Financial Information, the share capital of the Group as at 1 January 2017, 31 December 2017 and 2018 represents the paid-up capital of China Transport.

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 Hong Kong Dollar ("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 2019 and 30 April 2020.

(b) Nature and purposes of reserves

(i) Other reserve

Other reserve as at 1 January 2017, 31 December 2017, 2018, 2019 and 30 April 2020 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.

(ii) PRC statutory reserve

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC.

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory reserves until the reserves reach 50% of their respective registered capital. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group company outside the PRC with functional currency other than RMB.

(c) Dividends

The directors consider that dividends declared and approved during the Relevant Periods are not indicative of the future dividend policy of the Group.

No dividend was paid or declared by the Company since its incorporation for the Relevant Periods.

(d) 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 2017, 2018 and 2019 and 30 April 2020 were as follows:

	At 31 December			At 30 April
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	114,327	134,437	93,210	88,310
Lease liabilities	—	1,302	1,024	917
Total debt	114,327	135,739	94,234	89,227
Less: Cash and cash equivalents	(2,065)	(2,202)	(35,632)	(36,507)
Adjusted net debt	112,262	133,537	58,602	52,720
Total equity	26,901	31,041	105,642	109,853
Adjusted net debt-to-capital ratio	417%	430%	55%	48%

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

21 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

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, 55%, 67%, 65% and 67% respectively, of trade receivables were due from the Group's largest customer and 100%, 100%, 100% and 100%, respectively, of trade receivables were due from the Group's 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.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is distinguished between the Group's different customer bases.

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

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tariff premium receivables	29,714	34,964	32,162	15,652
Other trade receivables	39,376	74,935	100,838	67,454
	69,090	109,899	133,000	83,106

As at 31 December 2017, 2018, and 2019 and 30 April 2020, 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 43%, 32%, 24% and 19% of the Group's trade receivables as at 31 December 2017, 2018 and 2019 and 30 April 2020, respectively.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables other than tariff premium at the end of each reporting period:

	At 31 December 2017		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.80%	36,663	292
Less than 6 month past due	1.25%	3,043	38
		39,706	330

	At 31 December 2018		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.80%	39,093	314
Less than 6 month past due	1.25%	36,613	457
		75,706	771

	At 31 December 2019		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*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

	At 30 April 2020		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	0.78%	38,357	298
Less than 6 month past due	1.21%	29,756	361
		68,113	659

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 during the past. As the trade receivables other than tariff premium were due from two, two, four and four customers as 31 December 2017, 2018 and 2019 and 30 April 2020, the Group assessed the factors specific to these debtors as well as the current and forecast general economic conditions at the end of each reporting period for the expected credit loss. As credit risk of the only debtor and the general economic condition remained unchanged in 2017 and 2018, the expected credit loss rates remained unchanged in 2017 and 2018.

Movement in the loss allowance in respect of trade receivables during the Relevant Periods is as follows:

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	—	330	771	917
Impairment losses recognised/(reversed) during the year/period	330	441	146	(258)
Balance at the end of the year/period	330	771	917	659

The following significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the Relevant Periods:

— origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB292,000, RMB22,000 and RMB361,000 and a decrease of RMB377,000, respectively; and

— change in past due trade receivables resulted in an increase of RMB38,000, an increase of RMB419,000, a decrease of RMB215,000 and an increase of RMB119,000 in loss allowance, respectively.

(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 lending 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.

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:

	At 31 December 2017				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 December 2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	55,476	18,277	52,608	126,361	114,327
Trade and other payables	47,032	—	7,312	54,344	53,395
	102,508	18,277	59,920	180,705	167,722

	At 31 December 2018				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Carrying amount at 31 December 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	88,574	37,772	13,544	139,890	134,437
Trade and other payables	64,212	—	7,312	71,524	70,877
Lease liabilities	337	370	740	1,447	1,302
	153,123	38,142	21,596	212,861	206,616

	At 31 December 2019				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

	At 30 April 2020				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings	76,773	13,868	—	90,641	88,310
Trade and other payables	110,961	7,312	—	118,273	118,052
Lease liabilities	370	370	248	988	917
	188,104	21,550	248	209,902	207,279

(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:

(i) Interest rate profile

The following table details the interest rate profile of the Group's total borrowings as at the end of each reporting period:

	At 31 December						At 30 April	
	2017		2018		2019		2020	
	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount	Effective Interest rate	Amount
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowings:								
Bank loans	4.45%	2,640	N/A	—	N/A	—	N/A	—
Loans due to related parties	0%–10%	13,154	0%	29,536	N/A	—	N/A	—
Loans due to third parties	0%–10%	43,900	0%–7%	62,568	0%–7%	50,377	0%–7%	50,377
Lease liabilities	N/A	—	2.38%	1,302	2.38%	1,024	2.38%	917
		59,694		93,406		51,401		51,294
Variable rate borrowings:								
Bank loans	6.18%	54,633	6.18%	42,333	4.79%–6.18%	42,833	4.79%–6.18%	37,933
Total borrowings		114,327		135,739		94,234		89,227
Fixed rate borrowings as a percentage of total borrowings		52.21%		68.81%		54.55%		57.49%

(ii) Sensitivity analysis

At 31 December 2017, 2018 and 2019 and 30 April 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 RMB546,000, RMB423,000, RMB428,000 and RMB379,000 respectively.

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 for the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2020.

(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 Relevant Periods.

(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 2017, 2018 and 2019 and 30 April 2020.

22 CAPITAL COMMITMENTS

There are no significant capital commitments outstanding at the respective year end not provided for at 31 December 2017, 2018 and 2019 and 30 April 2020.

23 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:

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Short-term employee benefits	645	785	1,326	417	562
Contributions to defined contribution plans	41	48	101	35	78
	686	833	1,427	452	640

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

(b) Guarantees issued by related parties

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees to banks for granting banking facilities	—	—	4,900	—

Certain bank facilities granted to the Group in Note 16(a) were guaranteed by Mr. Cheng Liquan Richard, the ultimate controlling shareholder of the Company, at 31 December 2019.

(c) Other significant related party transactions

During the years ended 31 December 2017, 2018 and 2019 and the four months ended 30 April 2019 and 2020, the Group had following transactions with Mr. Cheng Liquan Richard, the ultimate controlling shareholder, Shanghai Yingzhen Technology Co., Ltd. ("Shanghai Yingzhen") and EastAsia Power Holding Ltd., ("EastAsia"), the affiliate companies under the ultimate controlling shareholder and National Honour Group Limited ("National Honour"), the former joint venture invested by the ultimate controlling shareholder:

Mr. Cheng Liquan Richard

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Non-trading transactions:					
New loans received	1,500	3,929	20,479	13,481	—
Loans waived *(Note)*	—	—	15,947	—	—
Appropriation of dividends of a subsidiary	—	9,507	—	—	—
Interest on loans	110	81	144	77	—

Shanghai Yingzhen

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Trading transactions:					
Purchasing of goods	—	308	—	—	—
Services rendered and goods sold	2,003	—	—	—	—
Non-trading transactions:					
New loans received	7,528	18,641	10,001	6,000	—
Interest on loans	8	165	—	—	—

National Honour

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Non-trading transactions:					
New loans received	—	7,083	—	—	—

EastAsia

	Year ended 31 December			Four months ended 30 April	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Non-trading transactions:					
New loans received	1,843	—	13,961	—	—
Loans waived *(Note)*	—	—	15,804	—	—

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.

(d) Significant related party balances

As of the end of the reporting periods, the Group had following balances with Mr. Cheng Liquan Richard, the ultimate controlling shareholder of the Group, Shanghai Yingzhen and EastAsia, the affiliate companies under the ultimate controlling shareholder and Beijing Wenchuang Youlike New Energy Technology Co., Ltd. ("Beijing Wenchuang"), an associate of Shanghai Yingzhen:

	At 31 December			At 30 April
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trading balances:				
Beijing Wenchuang	3,373	—	—	—
Non-trading balances:				
Mr. Cheng Liquan Richard	4,399	20,640	9,842	9,507
Shanghai Yingzhen	7,030	20,998	173	—
EastAsia	1,843	1,843	—	—
	16,645	43,481	10,015	9,507

The outstanding balances with these related parties are included in loans due to related parties in Note 16(b) and trade and other payables in Note 17. The loans due to Mr. Cheng Liquan Richard and Shanghai Yingzhen were subject to an interest rate ranging from 0% to 10% per annum, were unsecured and have no fixed repayment terms. The loans due to EastAsia were interest-free, unsecured and have no fixed repayment terms. The directors of the Company confirm that the non-trade balance will be settled before the listing of the Company's shares on the Stock Exchange.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING ON 1 JANUARY 2020

Up to date of issue of the Historical Financial Information, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance Contracts*, which are not yet effective for the accounting period beginning on 1 January 2020 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16, *COVID-19-Related Rent Concessions*	1 June 2020
IFRS 17, *Insurance contracts Benchmark Reform*	1 January 2021
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
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

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.

25 SUBSEQUENT EVENTS

(a) The novel coronavirus ("COVID-19") outbreak since early 2020 has affected business and economic activities to some extent. Up to the date of issuance of Historical Financial Information, despite the Group's revenue derived from the sales of wind power segment in January and February 2020 has reduced compared to the corresponding period in 2019 due to the lower electricity demand as a result of the suspension of business operations of various industrial and commercial enterprises, the directors of the Company were not aware of material adverse effects on the Group's financial performance as a result of the COVID-19 outbreak. However, the COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment and the Group will continuously assess its impact on the Group's financial performance.

(b) Pursuant to the sole shareholder resolution passed on 4 September 2020, conditional further on the share premium account of the Company being credited as a result of the Global Offering, the directors of the Company are authorised to allot and issue a total of 187,490,000 ordinary shares credited as fully paid at par to the existing shareholders of the Company in proportion to their respective shareholdings by way of capitalisation of the sum of HK$1,874,900 standing to the credit of the share premium of the Company. The Capitalisation Issue will not become effective until the completion of the Global Offering.

Further details related to this matter are set out in the section headed "History, Development and Reorganisation" included in the Prospectus.

26 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries compromising the Group in respect of any period subsequent to 30 April 2020.

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For illustrative purposes only, the following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of our Company as of 30 April 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the consolidated financial position of the Group had the Global Offering been completed as of 30 April 2020 or at any future date.

	Audited consolidated net tangible assets attributable to the equity shareholders of our Company as of 30 April 2020(1)	Estimated net proceeds from this Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per Share	
	(in millions of RMB)			*RMB(4)*	*HK$(5)*
Based on an Offer Price of HK$2.0 per Share	108.1	94.0	202.1	0.8	0.9
Based on an Offer Price of HK$2.6 per Share	108.1	127.7	235.8	0.9	1.1

Notes:

(1) The audited consolidated net tangible assets attributable to equity shareholders of our Company as of 30 April 2020 have been calculated based on the audited consolidated total equity attributable to equity shareholders of our Company as of 30 April 2020 of RMB108.1 million, extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from this Global Offering are based on the indicative offer prices of HK$2.00 (being the minimum Offer Price) and HK$2.60 (being the maximum Offer Price) per Share, respectively, after deduction of the estimated underwriting fees and other related expenses payable by our Company of RMB5.2 million and RMB13.2 million, respectively, payable by our Company (excluding listing expenses which have been expensed prior to 30 April 2020) and takes no account of any Sales Shares or Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company to reflect any trading results or other transactions entered into subsequent to 30 April 2020.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to the entity shareholders of our Company per share is calculated based on 250,000,000 shares in issue immediately assuming the Capitalization Issue and this Global Offering have been completed on 30 April 2020 but taking no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(5) The estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of our Company per share are converted into Renminbi at the rate of HK$1.00 to RMB0.90. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA NATURE ENERGY TECHNOLOGY HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Nature Energy Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 April 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 29 September 2020 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 April 2020 as if the Global Offering had taken place at 30 April 2020. As part of this process, information about the Group's financial position as at 30 April 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 April 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 September 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 November 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 4 September 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then 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 Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director 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 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.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange. A meeting of shareholder or class thereof may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence at such meeting.

Extraordinary general meetings may 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 having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (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.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the

Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted**, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.**

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 4 December 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "**relevant entity**" is required to satisfy the economic substance test set out in the ES Law. A "**relevant entity**" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 November 2019. Our registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. We have established a principal place of business in Hong Kong at Room 2104, 21st Floor, Global Trade Square, 21 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 February 2020. Mr. Richard Cheng has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As a company incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association and the Articles of Association and the Cayman Islands company law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

(a) On the date of incorporation of our Company on 28 November 2019, one Share was allotted and issued at par to the initial third party subscriber and such Share was immediately transferred to Hongyuan BVI. On the same date, a further 999 Shares were issued to Hongyuan BVI for cash at par;

(b) On 27 December 2019, in consideration for transfer of 1 share in China Transport from Mr. Richard Cheng to our Company, 9,000 Shares were allotted and issued to Hongyuan BVI at the direction of Mr. Richard Cheng, credited as fully paid up; and

(c) Pursuant to the resolutions in writing of our sole Shareholder passed on 4 September 2020, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$7,500,000 divided into 750,000,000 Shares by creation of a further 712,000,000 Shares.

Immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be HK$2,500,000, divided into 250,000,000 Shares, all fully paid or credited as fully paid and 500,000,000 Shares will remain unissued.

Our Company has no founder shares, management shares or deferred shares.

Save as disclosed above and in "3. Resolutions in writing of our sole Shareholder passed on 4 September 2020" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our sole Shareholder passed on 4 September 2020

Pursuant to the resolutions in writing passed by our sole Shareholder on 4 September 2020:

(a) we approved and conditionally adopted the Memorandum of Association and the Articles of Association, both with effect from the Listing Date;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$7,500,000 by the creation of an additional 712,000,000 Shares with effect from the Listing Date;

(c) subject to the conditions set out in "Structure and conditions of the Global Offering — Conditions of the Global Offering" having been fulfilled or waived:

  (i) the Global Offering, the Capitalisation Issue and the Over-allotment Option were approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering, the Capitalisation Issue and the Over-allotment Option;

  (ii) the Listing was approved and our Directors were authorised to implement the Listing;

  (iii) subject to the restrictions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate number of Shares allotted or agreed to be allotted by our Directors other than pursuant to (aa) a rights issue, (bb) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares, (cc) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option (subject to adjustment in the case of a consolidation or subdivision of the Shares) and (2) the number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in sub-paragraph (iv) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of our next annual general meeting, (II) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting and (III) the date on which the authority given to our Directors by this resolution is revoked or varied by an ordinary resolution of our Shareholders in general meeting (the "**Relevant Period**");

(iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and the requirements of the Listing Rules, not exceeding 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option (subject to adjustment in the case of a consolidation or subdivision of the Shares), such mandate to remain in effect during the Relevant Period; and

4. Our subsidiaries

Certain details of our subsidiaries are set out in Appendix I to this prospectus. Save as set out in Appendix I to this prospectus, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) on 30 May of 2018, Mr. Richard Cheng, who held 60% of the equity interest in Beijing Nature through his nominees Ms. Zhao Jumei and Ms. Li Na, together with Beijing BiTe, being the holder of 40% of the equity interest in Beijing Nature, entered into an equity acquisition agreement with Jiangyin Hongyuan, pursuant to which Ms. Zhao Jumei and Ms. Li Na (at the instruction of Mr. Richard Cheng) and Beijing BiTe transferred all of their respective equity interest in Beijing Nature to Jiangyin Hongyuan at a total consideration of RMB6,790,600. The equity transfer was completed on 12 July 2018;

(b) on 20 December 2019, Beijing Nature and Liaoning Hailan, being shareholders of Datong Fengze, passed a resolution approving an increase in registered share capital of Datong Fengze from RMB4.8 million to RMB6 million, among which the share capital commitment of Beijing Nature would increase from RMB2.4 million to RMB3.6 million. The aforesaid increase in share capital commitment completed on 31 December 2019, upon which, Beijing Nature and Liaoning Hailan would hold 60% and 40% of the entire equity interest in Datong Fengze respectively; and

(c) the registered share capital of Jiangyin Hongyuan was increased from US$1 million to US$2.1 million, US$3.5 million and US$4 million on 26 July 2018, 28 March 2019 and 19 February 2020 respectively.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

5. Corporate reorganisation

In order to rationalise our structure and prepare for the Listing, our Group has undertaken several restructuring steps, particulars of which are set out in "History, development and Reorganisation".

6. Repurchase of our own securities

As mentioned in "3. Resolutions in writing of our sole Shareholder passed on 4 September 2020" above, a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed.

(a) Provisions of the Listing Rules

The Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchase by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchases

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid, and the reasons for making the repurchases.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with our Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 250,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised), could accordingly result in up to 25,000,000 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting; or

(iii) the date on which the repurchase mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Share Swap Agreement dated 27 December 2019 entered into between Mr. Richard Cheng, Hongyuan Company Limited and our Company in relation to, inter alia, the transfer of the entire shareholding in China Transport to our Company from Mr. Richard Cheng for allotment and issue of 9,000 Shares to Hongyuan Company Limited at the direction of Mr. Richard Cheng, credited as fully paid up;

(b) the Deed of Indemnity;

(c) the deed of waiver dated 31 December 2019 entered into by EastAsia Power Holding Ltd ("EastAsia Power"), a company incorporated in the British Virgin Islands, in favour of China Transport, pursuant to which EastAsia Power agreed to irrevocably and unconditionally waive the liabilities and repayment obligations of China Transport in respect of a sum of US$2,299,994.23 which was due and owing by China Transport to EastAsia Power;

(d) the deed of waiver dated 31 December 2019 entered into by Mr. Richard Cheng in favour of China Transport, pursuant to which Mr. Richard Cheng agreed to irrevocably and unconditionally waive the liabilities and repayment obligations of China Transport in respect of a sum of US$2,000,000 and another sum of HK$2,020,000, both of which were due and owing by China Transport to Mr. Richard Cheng;

(e) the cornerstone investment agreement dated 25 September 2020 entered into among the Sole Sponsor, Essence International Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, Goldenmars Technology Investments Limited and our Company, pursuant to which Goldenmars Technology Investments Limited agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) with the amount of HK$10 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price per Share;

(f) the cornerstone investment agreement dated 25 September 2020 entered into among the Sole Sponsor, Essence International Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, RXG GROUP INC and our Company, pursuant to which RXG GROUP INC agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) with the amount of HK$20 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price per Share;

(g) the cornerstone investment agreement dated 25 September 2020 entered into among the Sole Sponsor, Essence International Securities (Hong Kong) Limited, Fortune (HK) Securities Limited, Zhang Zhenyu and our Company, pursuant to which Zhang Zhenyu agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) with the amount of HK$20 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price per Share; and

(h) the Hong Kong Underwriting Agreement.

2. Material intellectual property rights

As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, we owned and had registered one trademark in Hong Kong, which is material to our business:

Trademark	Class	Applicant	Trademark number	Registration date	Expiry date
	7	Jiangyin Hongyuan	305123411	26/11/2019	25/11/2029

As at the Latest Practicable Date, we had filed one trademark application in the PRC, which is pending, published and material to our business:

Trademarks	Class	Applicant	Application number	Filing date (dd/mm/yyyy)
	7	Jiangyin Hongyuan	42073441	04/11/2019

(b) Domain Names

As at the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain Name	Registered owner	Expiry date (dd/mm/yyyy)
1	jyhyne.com	Jiangyin Hongyuan	21/11/2029

(c) Patents

As at the Latest Practicable Date, we have registered 28 patents in the PRC, among which the following patents are material to our business:

No.	Title of Invention	Registered owner	Registration number	Date of filing (dd/mm/yyyy)	Expiry date (dd/mm/yyyy)
1	Wind-solar complementary wave power station	Jiangyin Hongyuan	ZL201110263980.0	06/09/2011	05/09/2031
2	A wind power generation pitch control system	Jiangyin Hongyuan	ZL201610577603.7	21/07/2016	20/07/2036
3	A wind power generation pitch control system	Jiangyin Hongyuan	ZL201620771584.7	21/07/2016	20/07/2026

In addition, as at the Latest Practicable Date, we have filed 15 patent applications which are either pending or published.

(d) Copyright

As at the Latest Practicable Date, we have registered 10 copyrights in the PRC, among which the following copyrights are considered to be or may be material to our business:

No.	Name of Copyright	Version	Registration Number	Registered Owner	Date of First Publication (dd/mm/yyyy)
1.	Hongyuan New Energy Pitch Control System Data Collection Control Software	V1.0	2017SR323754	Jiangyin Hongyuan	Unpublished
2.	Hongyuan New Energy Pitch Control System Data Collection Control Software	V2.0	2018SR330580	Jiangyin Hongyuan	06/03/2017
3.	Hongyuan New Energy Pitch Control System Data Collection Control Software	V3.0	2018SR334636	Jiangyin Hongyuan	08/08/2017
4.	Hongyuan New Energy Pitch Control System Data Collection Control Software	V4.0	2019SR0208939	Jiangyin Hongyuan	06/11/2018
5.	Hongyuan New Energy Simulation Main Control Software	V1.0	2018SR331693	Jiangyin Hongyuan	10/05/2017
6.	Hongyuan Pitch Control System Software	V1.0	2020SR0503994	Jiangyin Hongyuan	01/06/2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND CHIEF EXECUTIVE

1. Disclosure of interests

Immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests and/or short positions of our Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange, will be as follows:

(i) Interests in the Shares

Name of Director/ chief executive	Capacity/ Nature of interest	Number of Shares(1)(2)	Approximate Percentage of total number of issued shares(1)(2)
Mr. Richard Cheng(3)	Interest of a controlled corporation	187,500,000	75%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 250,000,000 Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

(3) Mr. Richard Cheng holds the entire issued share capital of Hongyuan BVI. Therefore, Mr. Richard Cheng is deemed to be interested in the 187,500,000 Shares held by Hongyuan BVI.

(ii) Interests in associated corporation

Name of Director/chief	Name of associated corporation	Capacity/ Nature of interest	Number of share(s) in associated corporation	Percentage of shareholding interests in associated corporation
Mr. Richard Cheng	Hongyuan BVI	Beneficial owner	1	100%

Save as disclosed above, none of our Directors or chief executive of our Company will, immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, have any interests or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.

2. Directors' service contracts and letters of appointment

Our Company entered into a service contract with each of our executive and non-executive Directors and a letter of appointment each of our 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.

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)).

3. Directors' remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for FY2017, FY2018, FY2019 and 4M2020 were approximately RMB0.1 million, RMB0.1 million, RMB0.5 million and RMB0.2 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of FY2017, FY2018, FY2019 and 4M2020, by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2020 to be approximately RMB1.2 million.

4. Directors' competing interests

None of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

(a) None of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) None of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.

(c) Save as disclosed in "Business — Sales and our customers — Our relationship with Shanghai Yingzhen", "Business — Sales and our customers — Our relationship with Beijing Shanhejuli" and "Business — Raw materials and suppliers", none of our Directors and their close associates, and so far as is known to our Directors, none of the Shareholders who are interested in more than 5% of the number of issued shares of our Company, has any interest in our Company's five largest customers or five largest suppliers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Tax and Other Indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Company (for ourselves and as trustee for other Group members), pursuant to which our Controlling Shareholders have given indemnities in favour of our Group from and against, among other things, (a) any tax liability falling on any member of our Group relating to any income, profits or gains earned, accrued or received and/or assets acquired or disposed of by any member of our Group on or before the Listing Date; (b) any liability for Hong Kong estate duty which may be payable by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Listing Date; (c) any liability falling on any member of our Group directly or indirectly resulting from, or relating to, or in consequence of the Reorganisation; (d) any action, claims, losses, charges, penalties incurred by any member of our Group directly resulting from violation or non-compliance with any applicable law, rules and/or regulations whether in Hong Kong, the PRC or elsewhere in the world on or before the Listing Date, and the reasonable costs and expenses incurred in connection with the actions, claims, legal or arbitration proceedings related thereto; and (e) any costs of removal, costs of reinstatement of properties or premises, whether in Hong Kong, the PRC or elsewhere, which are owned, leased, rented, occupied or used by any member of our Group as at the date of this prospectus.

Our Controlling Shareholders will not however, be liable under the Deed of Indemnity to the extent that, among others:

(a) provision, reserve or allowance has been made for such taxation liability in the audited accounts of any member of our Group for each of the three financial years ended 31 December 2019 and the four months ended 30 April 2020; or

(b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of the Listing Date; or

(c) the liability would not have arisen but for any voluntary act of any member of our Group after the Listing Date which the relevant member of our Group ought reasonably to have known would give rise to such liability subject to certain exceptions; or

(d) the taxation liability arises in the ordinary course of business of our Group or in the ordinary course of acquiring and disposing of capital assets after 30 April 2020 and up to the Listing Date.

In the event that our Controlling Shareholders have indemnified our Group for any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement immediately after the payment of indemnification by our Controlling Shareholders.

3. Sole Sponsor's fees

The Sole Sponsor will receive a fee of HK$5,000,000 for acting as the sponsors for the Listing.

4. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus (the "**Experts**") are set out below:

Name	Qualifications
Fortune Financial Capital Limited	Licensed to conduct Type 6 (advising on corporate finance) of the regulated activities under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Tian Yuan Law Firm	Legal advisers to our Company as to the laws of the PRC
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

5. Consents of experts

Each of the Experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

6. Interests of experts

None of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. No amount or benefit has been paid or given within the two years immediately preceding the date of this prospectus or intended to be paid or given to any promoter.

8. Preliminary expenses

The preliminary expenses incurred by our Company amounted to US$5,615 and were paid by our Company.

9. Exemption from requirement to set out property valuation report

This prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in reliance on the exemption under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) save as disclosed in the section headed "History, development and Reorganisation" of this prospectus and "A. Further information about our Group — 4. Our subsidiaries" of this appendix, no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group; and

(iii) no commission (except commission to sub-underwriters) has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Company.

(b) No share or loan capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Company has no outstanding convertible debt securities or debentures.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the subsection headed "D. Other information — 5. Consents of experts" in Appendix IV to this prospectus; and

(c) copies of each of the material contracts referred to in the subsection headed "B. Further information about our business — 1. Material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 5/F, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association of our Company;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the assurance report from KPMG in relation to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Company for the Track Record Period;

(e) the PRC legal opinions issued by our PRC Legal Advisers;

(f) the Companies Law;

(g) the letter prepared by Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of the company law of the Cayman Islands as referred to in Appendix III to this prospectus;

(h) the F&S Report;

(i) the material contracts referred to in the subsection headed "B. Further information about our business — 1. Material contracts" in Appendix IV to this prospectus;

(j) the written consents referred to in the subsection headed "D. Other information — 5. Consents of experts" in Appendix IV to this prospectus; and

(k) the service contracts or letters of appointment (as the case may be) of our Directors.

中國納泉能源科技控股有限公司
China Nature Energy Technology Holdings Limited