

TARGET

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CHINA NATURE ENERGY TECHNOLOGY HOLDINGS LTD: A MATERIAL REVERSAL OF FORTUNES IN INNER MONGOLIA COULD SEND MANAGEMENT INTO A PANIC MODE ... OR WORSE !

On scanning the Global Offering Prospectus of China Nature Energy Technology Holdings Ltd, one grave matter becomes very evident: In the not-so-distant past, Management had faced a very difficult time and, as such, it was forced to resort to proceedings that, under just about any other circumstance, it would not have even considered when faced with the draconian steps that were foisted upon it.

At Pages 347 through to 350 of the Global Offering Prospectus, a total of 10 paragraphs had been devoted to giving that which Management considered were seemingly valid explanations as to the reasons that the Company's senior management had to obtain financial resources from related and third persons in order to keep determined creditors at bay.

(More about the above situation, later on in this analysis.)

The Initial Public Offering (IPO) Of China Nature Energy Technology Holdings Ltd

Management of China Nature Energy Technology Holdings Ltd (中國納泉能源科技控股有限公司) (Code: 1597, Main Board, The Stock Exchange of Hongkong Ltd) published and disseminated its IPO in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** on Tuesday, September 29, 2020.

Management Offered to prospective investors a total of 62.50 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK2.00 to a high of \$HK2.60.

Investors of the HKSAR were given the opportunity to subscribe to 6.25 million Offer Shares (the HKSAR Public Offer Shares tranche) and (presumably) International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investors has very material interests by virtue of its equity control – were induced to sign in on valid applications in order to obtain some of the 56.25 million International Placing Shares on Offer (the International Placing Shares tranche).

On Monday, October 19, 2020, in an Announcement as to the Offer Price Per Share and the Allotment Results, Management stated that the Offer Price had been struck at \$HK2.00,

being the lowest level of the Indicative Offer Price range, acceptable to Management, and that the net proceeds from the Global Offering were anticipated to be about \$HK93.50 million.

In respect of the HKSAR Public Offer Shares tranche, Management stated that this tranche had *‘been over-subscribed’* with a total of 50,227 valid applications for Offer Shares, having been received, representing 77.19 times the 6.25 million HKSAR Public Offer Shares, initially available under this Public Offer tranche.

With regard to the International Placing Shares tranche, one was told that it had *‘been slightly over-subscribed’* by about 0.1388 times the 56.25 million Offer Shares, initially available under the International Placing Shares tranche.

At Pages 11 and 12 of the public Announcement, dated October 19, 2020, one was told as to Management’s present intentions with regard to the utilisations of the net proceeds of the Global Offering:

- Approximately, 13.60 percent, that is about 11.50 million **renminbi (RMB)** (equivalent to approximately \$HK12.70 million), *‘will be used for the maintenance and enhancement of the Group’s market position in the pitch control system market to increase market share in the PRC (the PRC proper, being separate and distinct from the HKSAR of 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 (Jiangyin Envision Investment Company Ltd [江陰遠景投資有限公司], a corporation, established under the laws of the PRC, proper, on November 18, 2010, being a direct, wholly owned subsidiary of Envision Energy Company Ltd [遠景能源有限公司], a corporation, established under the laws of the PRC, proper, on March 19, 2008, an Independent Third Party that is primarily engaged in manufacturing and sales of wind turbines) pursuant to a binding ten-year framework agreement’*;
- Approximately, 42.60 percent, that is about RMB35.80 million (equivalent to approximately \$HK39.90 million), *‘will be used for the diversification of the Group’s customer base in its (i) pitch control system¹; (ii) wind power generation; (iii) operation and maintenance services; and (iv) wind energy related consultancy services businesses. The Group plans to utilise:*
 1. Approximately, 2.60 percent, that is about RMB2.20 million (equivalent to approximately \$HK2.40 million), *‘to diversify its customer base in the pitch control systems market by increasing the Group’s 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 (Research and Development) capabilities involved in Group’s products and*

services; and (iii) recruiting two additional sales personnel to establish and strengthen business relationship with potential customers’;

2. Approximately, 37.20 percent, that is about RMB31.30 million (equivalent to approximately \$HK34.80 million), *‘for the investment into the development of a new distributed wind farm by Lingqiu Fengyuan (Lingqiu County Fengyuan Energy Technology Company Ltd [靈丘縣豐沅能源科技有限公司], a corporation, established under the laws of the PRC, proper, on July 24, 2019, and being a wholly owned subsidiary of Datong Fengyuan Energy Technology Company Ltd [大同豐沅能源 科技有限公司], a corporation, established under the laws of the PRC, proper, on July 10, 2019, a joint-venture company that is held as to 50 percent by Beijing Nature Heli New Energy Technology Company Ltd [北京納泉合力新能源科技有限公司], an indirect, wholly owned subsidiary of China Nature Energy Technology Holdings Ltd and 50 percent by Liaoning Hailan Fengyuan New Materials Technology Development Company Ltd [遼寧海瀾豐沅新材科技發展有限公司] that is controlled by Independent Third Parties) 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 (megawatt) installed capacity, for the generation and sales of electricity’;*
 3. Approximately, 2.80 percent, that is about RMB2.30 million (equivalent to approximately \$HK2.60 million), *‘for the recruitment of 70 additional service personnel to expand the Group’s wind farm operation and maintenance services’;*
- Approximately, ... [CLICK TO ORDER FULL ARTICLE](#)

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