



**NEE**

INTERIM REPORT 2022



**東北電氣發展股份有限公司**  
NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

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## Chapter 1 IMPORTANT NOTICE

- 1.1 The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company hereby confirm that there are no false representations, misleading statements or material omissions contained in this report, and they, severally and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this interim report.
- 1.2 The Company's Chairman, Shang Duoxu, Chief Accounting Officer, Mi Hongjie, and Chief Financial Officer, Jin Muhan hereby represent: guaranteeing the truthfulness, accurateness and integrity of the financial statements in the interim report.
- 1.3 This report has been considered and approved by the 32th meeting of the 9th Board convened on 30 August 2022. All Directors attended the Board meeting in person to consider and approve this report.
- 1.4 The Group prepared the Unaudited Results Announcement for the Six Months Ended 30 June 2022 in accordance with the PRC GAAP and IFRS. The audit committee of the Board has reviewed and confirmed the Company's interim results for 2022. The audit committee has approved the financial accounting principles, standards and methods adopted by the Company for the unaudited interim accounts for the six months ended 30 June 2022.
- 1.5 The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves.
- 1.6 The consolidated turnover is RMB36,400,000 in accordance with the PRC GAAP.
- 1.7 The profit attributable to equity holders of the Company is RMB-17,770,000.
- 1.8 Earnings per share attributable to equity holders of the Company are RMB-0.0205.
- 1.9 Unless otherwise stated, Renminbi is the only monetary unit in this announcement.

## 1.11 Definitions

Beijing Haihongyuan	Beijing Haihongyuan Investment Management Co., Ltd., a substantial shareholder of the Company
De facto controller of the Company	None
Fushun Electric Porcelain	Fushun Electric Porcelain Manufacturing Co., Ltd.
Fuxin Busbar	Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company
Garden Lane Hotel	Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company
HNA Group	HNA Group Co., Ltd., a related party of the Company
HNA Trust Management	Hainan HNA No. 2 Trust Management Service Co., Ltd., a related party of the Company
Hainan First Intermediate People's Court	The First Intermediate People's Court of Hainan Province
Hainan Provincial Higher People's Court	Hainan Provincial Higher People's Court
NEE, the Company, Northeast Electric	Northeast Electric Development Company Limited
NEEQ	National Equities Exchange and Quotations
Stock Exchange	The Stock Exchange of Hong Kong Limited
Shenzhen Stock Exchange	Shenzhen Stock Exchange of the PRC
Shenyang HVS, Shenyang High Voltage Switchgear	Shenyang High Voltage Switchgear Co., Ltd.

## Chapter 2 CORPORATE PROFILE

### 2.1 Basic information

<b>Stock abbreviation of Domestic shares</b>	Northeast Electric 3	Domestic shares stock code	400114
<b>Place of the listing of Domestic shares</b>	NEEQ		
<b>Stock abbreviation of H shares</b>	Northeast Electric	H shares stock code	00042
<b>Place of the listing of H shares</b>	The Stock Exchange of Hong Kong Limited		
<b>Legal Chinese name</b>	東北電氣發展股份有限公司		
<b>Chinese abbreviation</b>	東北電氣		
<b>Legal English name</b>	Northeast Electric Development Company Limited		
<b>English abbreviation</b>	NEE		
<b>Legal representative</b>	Zhu Jie		

### 2.2 Contact person and contact information

	<b>Secretary to the Board</b>	<b>Representative for securities affairs</b>
<b>Name</b>	Ding Jishi	Zhu Xinguang, Ju Meng
<b>Address</b>	19nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province	19nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
<b>Telephone</b>	0898-68876008	0898-68876008
<b>Fax</b>	0898-68876033	0898-68876033
<b>Email</b>	dbdqdashbgs@hnagroup.com	nemm585@sina.com
<b>Website containing the annual report</b>		www.neeq.com.cn; www.hkexnews.hk
<b>Place for inspection of interim report</b>		HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province Office of the Board

## 2.3 Additional information

Registered address	Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center, Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province
Postal code	571152
19nd	19nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Postal code	570203
Website	www.nee.com.cn
E-mail address	dbdqdashbgs@hnagroup.com

## 2.4 Registration

Item	Contents	Changes during the reporting period
Unified social credit code	91210000243437397T	No
Registered address	Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center, Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province	No
Registered capital (RMB)	873,370,000	No

## 2.5 Agency

Sponsoring broker (reporting period)	Shanxi Securities Co., Ltd.
Office address of the sponsoring brokerage	East Tower, Shanxi International Trade Center, No. 69, Fuxi Street, Taiyuan City, Shanxi Province
Did the sponsoring broker change during the reporting period	No
Sponsoring Broker (Report Disclosure Date)	Shanxi Securities Co., Ltd.

## 2.6 Voluntary Disclosure

Applicable  Not applicable

The Company held the 30th meeting of the ninth session of the board of directors on May 31 2022, at which it reviewed and approved the “Proposal on the Subsidiary’s Termination of Part of the House Leasing Contract and Related Transactions”. The Company’s holding subsidiary Garden Lane Hotel and Changchun Mingmen Hotel Co., Ltd. and Jilin Provincial Tourism Group Co., Ltd. (Bauhinia Hotel and Changbai Mountain Hotel) terminated the house lease contract. For details, please refer to the “Announcement on Resolutions of the Meeting of Board of Directors” and the “Announcement on Termination of Lease Agreement of Connected Transaction” disclosed by the Company on May 31 2022.

The Company held the 31th meeting of the ninth session of the board of directors on July 27 2022, at which it reviewed and approved the “Proposal on the Company’s Newly Issuance of H Shares”. The Company plans to pay RMB 1 per share to W.H.B.D (HK) Technology Limited issued RMB90 million H shares and raised a total of RMB90 million. For details, please refer to the “Announcement on Resolutions of the 31th Meeting of the Ninth Session of the Board of Directors” and the “Announcement on Issue of New H Shares Under the Specific Mandate” disclosed by the Company on July 27 2022.

## Chapter 3 PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

### (I) Principal financial data and indicators prepared under the PRC GAAP

#### (1) Profit Ability

Unit: RMB

Items	Amount for the reporting period	Amount for the same period of last year	Increase/ decrease in the reporting period compared with the same period of last year
Operating incomes	36,398,794.86	28,446,337.20	27.96%
Gross margin	20.06%	32.05%	-
Net profits attributable to shareholders of the Company	-17,771,697.62	-11,819,705.03	50.36%
Net profits attributable to shareholders of the Company after extraordinary items	-18,861,391.11	-12,719,133.05	48.29%
Weighted average return on net assets% (Basis on net profits attributable to shareholders of the listed Company)	N/A	N/A	-
Weighted average return on net assets % (Basis on net profits attributable to shareholders of the listed Company after extraordinary items)	N/A	N/A	-
Basic earnings per share (RMB/Share)	-0.0205	-0.0135	51.85%

(2) Debt-paying ability

Unit: RMB

Items	As at the end of the reporting period	As at the end of last year	Increase/decrease in the reporting period compared with the end of last year
Total assets	183,602,625.72	194,427,879.43	-5.57%
Total debt	367,727,760.81	361,963,915.66	1.59%
Net assets attributable to shareholders of the listed Company	-186,185,382.16	-169,697,083.93	9.72%
Net asset value per share of the listed Company	-0.21	-0.19	9.72%
Asset-liability ratio (parent Company)	65.44%	65.19%	-
Asset-liability ratio (consolidated statements)	200.28%	186.17%	-
Liquidity ratio	0.42	0.41	-
Interest coverage ratio	-11.08	-34.88	-

(3) State of operation

Unit: RMB

Items	Amount for the reporting period	Amount for the same period of last year	Increase/decrease in the reporting period compared with the same period of last year
Net cash flows from operating activities	-10,708,561.48	-8,835,387.64	21.20%
Turnover of account receivable	0.93	0.81	-
Turnover of inventories	1.75	1.23	-

(4) State of growth

Items	Amount for the reporting period	Amount for the same period of last year	Increase/ decrease in the reporting period compared with the same period of last year
Total assets growth rate	-5.57%	-8.60%	-
Operating incomes growth rate	27.96%	-24.82%	-
Net profits growth rate	N/A	N/A	-

**(II) Principal financial data and indicators prepared in accordance with the International Financial Reporting Standards (IFRS)**

**Condensed Consolidated Statement of Profit or Loss**

*Unit: RMB'000*

Item	Reporting period (January-June)	The same period of previous year
Turnover	79,081	37,838
Profit before tax	-17,880	-11,594
Taxation	-8	-280
Profit after tax	-17,872	-11,874
Minority Interests	-100	-56
Profits attributable to shareholders	-17,772	-11,818

## Condensed Consolidated Statement of Financial Position

Unit: RMB'000

Items	At the end of this reporting period	At the end of previous year
Total assets	183,603	194,428
Total liabilities	367,728	361,964
Shareholders' equity	-184,125	-167,536

### (III) Description of differences in figures under domestic and foreign accounting standards

Item	Net profits attributable to shareholders of the listed Company		Net assets attributable to shareholders of the listed Company	
	Amount for the reporting period	Amount for the same period of last year	As at the end of the reporting period	As at the end of last year
Domestic accounting standards	-17,771,697.62	-11,819,705.03	-186,185,382.16	-169,697,083.93
Items and amounts adjusted according to foreign accounting standards	-	-	-	-
Foreign accounting standards	-17,771,697.62	-11,819,705.03	-186,185,382.16	-169,697,083.93

Note: There are no differences in net profits and net assets prepared under the PRC GAAP and IFRS.

The Company adopts the Chinese Accounting Standards for Business Enterprises and the International Financial Reporting Standards to prepare the financial statements, respectively, because the net method and the full amount method are used to recognize the income, resulting in differences in operating income and gross profit.

**(IV) Extraordinary items and the related amount**

*Unit: RMB*

<b>Item</b>	<b>Amount</b>
Government subsidy included in the current profits and losses	962,600.82
Non-operating income and expense other than the above items	128,062.72
<b>Non-recurring gains and losses</b>	<b>1,090,663.54</b>
Effect of income tax	-
Impact on minority interests (after tax)	970.05
<b>Net extraordinary items and the related amount</b>	<b>1,089,693.49</b>

# Chapter 4 CHANGES IN SHARES AND SHAREHOLDER INFORMATION

## 4.1 Changes in shares

Unit: Share

Items	Before the change		Increase/decrease (+, -) arising from the change					After the change	
	Number	Percentage	Issue of new shares	Bonus issue	Conversion of capital reserve into shares	Others	Subtotal	Number	Percentage
<b>I. Shares subject to trading moratorium</b>	5,999,022	0.69%	0	0	0	0	0	5,999,022	0.69%
1. State-owned shares	0	0.00%	0	0	0	0	0	0	0.00%
2. State-owned legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Other domestic shares	5,999,022	0.69%	0	0	0	0	0	5,999,022	0.69%
Including: Domestic legal person shares	5,999,022	0.69%	0	0	0	0	0	5,999,022	0.69%
Domestic natural person shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
Including: Overseas legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
Overseas natural person shares	0	0.00%	0	0	0	0	0	0	0.00%
<b>II. Shares not subject to trading moratorium</b>	867,370,978	99.31%	0	0	0	0	0	867,370,978	99.31%
1. Renminbi ordinary shares	609,420,978	69.78%	0	0	0	0	0	609,420,978	69.78%
2. Foreign shares listed domestically	0	0.00%	0	0	0	0	0	0	0.00%
3. Foreign shares listed overseas	257,950,000	29.53%	0	0	0	0	0	257,950,000	29.53%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
<b>III. Total shares</b>	873,370,000	100.00%	0	0	0	0	0	873,370,000	100.00%

## 4.2 Number of shareholders and shareholding

Unit: Share

Total number of ordinary shareholders at the end of the reporting period	37,355	Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any)	0					
Shareholdings of ordinary shareholders holding more than 5% of the total share capital or the top ten ordinary shareholders								
Name of shareholder	Nature of shareholder	Percentage	Number of ordinary shares as at the end of the reporting period	Increase/decrease in the reporting period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Shares pledged or frozen	
							Status of shares	Number
HKSCC Nominees Limited	Overseas legal person	29.54%	257,950,000	836,101	0	257,950,000		
Beijing Haihongyuan Investment Management Co., Ltd.	Domestic non-state-owned legal person	9.33%	81,494,850	0	0	81,494,850	Pledged	81,494,850
Wang Juan	Domestic natural person	1.15%	10,080,200	7,461,800	0	10,080,200		
Zhao Rui	Domestic natural person	0.80%	6,960,310	0	0	6,960,310		
Yang Baizhong	Domestic natural person	0.69%	6,000,000	6,000,000	0	6,000,000		
Zhu Xinghu	Domestic natural person	0.65%	5,686,600	5,686,600	0	5,686,600		
Yang Youhong	Domestic natural person	0.57%	5,000,000	5,000,000	0	5,000,000		
Yu Jun	Domestic natural person	0.52%	4,600,000	2,250,000	0	4,600,000		
Shi Yubo	Domestic natural person	0.50%	4,405,236	577,300	0	4,405,236		
Zhang Sijia	Domestic natural person	0.46%	4,000,000	-1,079,067	0	4,000,000		
Explanation on the connected relationship or concerted action among the top ten holders of ordinary shares not subject to trading moratorium and that between them and the top ten ordinary shareholders	So far as the Company is aware, there is no connected relationship among the top ten holders of ordinary shares not subject to trading moratorium or between them and the top ten ordinary shareholders or are parties acting in concert as required in the Measures for the Administration of the Takeover of Listed Companies.							

*Notes:*

1. Based on the information that is publicly available as at the latest practicable date prior to the publishing of this interim report and within the knowledge of the Directors, there was sufficient public float of the Company's shares.
2. Save as disclosed above, as at 30 June 2022, the Directors were not aware that any person (excluding Directors, Supervisors, or chief executives (if applicable) or senior management of the Company, the "Senior Management") had any interests or short positions in the shares or underlying shares (as the case may be) of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") in Chapter 571 of the Laws of Hong Kong, any interests which were required to be recorded in the register pursuant to Section 336 of the SFO, or was a substantial shareholder of the Company (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).
3. During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
4. There is no provision for pre-emptive rights under the laws of the PRC and the Articles of Association of the Company.
5. As of 30 June 2022, the Company did not issue any convertible securities, options, warrants or any other similar right.

### 4.3. Changes in controlling shareholders and de facto controller

#### Controlling Shareholders

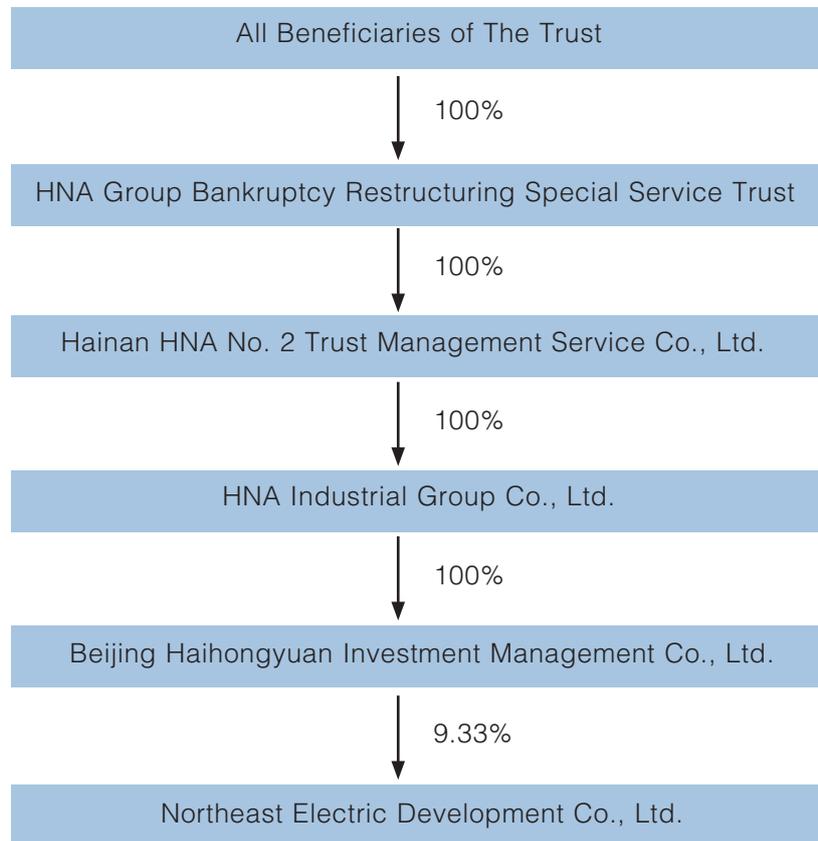
Name of Controlling Shareholders	Legal representative	Date of establishment	Organization code	Principal businesses
Beijing Haihongyuan Investment Management Co., Ltd.	Wang Qiong	July 11 2012	911101175996346317	Investment management; asset management; project investment; hotel management; tourism information consultation; technical consultation, technical services; sales of daily necessities, building materials (not engaged in physical store operations), household appliances, electronic products, and communication equipment.

#### De facto controller

During the reporting period, the de facto controller of the Company changed.

As HNA Group Co., Ltd. and Beijing Haihongyuan Investment Management Co., Ltd. and other 321 companies implemented the reorganization plan ruled by the court, the indirect controlling shareholder and de facto controller of the Company changed as a result (hereinafter referred to as “this change”). After the completion of this change, the controlling shareholder of the Company remains unchanged, still Beijing Haihongyuan; the indirect controlling shareholder of the Company is changed from HNA Group Co., Ltd. to Hainan HNA No. 2 Information Management Service Co., Ltd., whose controlling shareholder is a trust and has no actual control. Therefore, the de facto controller of the Company was changed from Hainan Cihang Foundation to no de facto controller.

For details, please refer to the “Indicative Announcement on the Change of the Company’s de facto controller” (announcement No.: 2022-022) disclosed by the Company on April 27 2022.



## Chapter 5 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR

### 5.1 Changes in shareholdings of Directors, supervisors and senior management

There was no change in shareholdings during the reporting period.

### 5.2 Directors, supervisors and senior management situation

Name	Position	Gender	Date of birth	Term of office commencing on	Term of office ending on
Shang Duoxu	Director, Chairman	Male	March 1986	23 August 2021	10 March 2022
Su Weiguo	Director, general manager	Male	September 1962	11 March 2019	10 March 2022
Mi Hongjie	Director, Chief Financial Officer	Male	June 1993	29 December 2021	10 March 2022
Fang Guangrong	Independent Director	Male	September 1955	11 March 2019	10 March 2022
Wang Hongyu	Independent Director	Male	March 1972	29 June 2020	10 March 2022
Li Zhengning	Independent Director	Male	March 1980	2 June 2021	10 March 2022
Xing Zenghai	Shareholder Representative Supervisor, Chairman of Supervisory Board	Male	May 1987	23 August 2021	10 March 2022
Yang Qing	Shareholder Representative Supervisor	Male	August 1982	23 August 2021	10 March 2022
Wu Rongyu	Employee Representative Supervisor	Female	June 1992	23 August 2021	10 March 2022
Ding Jishi	Secretary to the Board	Male	September 1985	29 August 2019	10 March 2022
Number of Board of Directors:					6
Number of Supervisory Board:					3
Number of senior managers:					3

### 5.3 Relationship between directors, supervisors, senior management and shareholders:

Mr. Shang Duoxu, the director and chairman of the Company, has an associated relationship with the controlling shareholder, and other directors, supervisors and senior management have no associated relationship with the controlling shareholder.

### 5.4 Changes in Directors, supervisors and senior management

Name	Initial position	Type	End of term	Reason
Wang Yongfan	Director	Resigned	No	Work adjustment
Guo Qianli	Director	Resigned	No	Work adjustment

### 5.5 Equity interest of Directors, supervisors and senior management

Save as disclosed above and to the knowledge of the Directors, senior management and supervisors of the Company, as at 30 June 2022, none of the Directors, senior management and supervisors had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken to have by such Directors, senior management and supervisors under provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix X to the Listing Rules.

## 5.6 Basic information of on-the-job employees (Company and controlled subsidiaries)

Classification by nature of work	Number of people at the beginning of the period	Number of people at the end of the period
Production staff	388	259
Salesperson	67	35
Technical staff	52	32
Financial staff	56	26
Administrative staff	88	64
<b>Total</b>	651	416

## Chapter 6 SUMMARY OF BUSINESS

### 6.1 Overview

#### **Principal business of the Company during the reporting period**

The Company has been primarily engaged in the R&D, design, production and sales businesses of products related to power transmission and transformation equipment. Our main products are enclosed busbars that are mainly applied to the power system field to enhance the transmission efficiency of power transmission lines and support the transmission of high power electric energy. Enclosed busbar plays an important role in the power system. Besides, Hainan Garden Lane Flight Hotel Management Co., Ltd., a holding Company of the Company, actively expanded its hotel catering and accommodation businesses during the reporting period. There was no material change in the principal business of the Company during the reporting period.

During the reporting period, the turnover calculated under the PRC GAAP was RMB36,400,000, representing an increase of 28% as compared to RMB28,450,000 for the corresponding period of the previous year; earnings attributable to shareholders after tax and minority interests amounted to RMB-17,770,000, with earnings per share of RMB-0.0205.

No dividend was paid during the period and the Directors do not recommend the payment of the interim dividend for the six months ended 30 June 2022.

## 6.2 Business review for the first half of 2022

The Chinese government's "14th Five-Year Plan" starting in 2021 has incorporated "carbon peaking and carbon neutrality" into the new economic layout, and accelerated the adjustment of the energy structure, and launched a number of green, low-carbon, clean and environmentally friendly new energy super projects. Carbon emission management has become the third wave of economic growth after real estate and internet Technology. The Group is also actively deploying new busbar product research and development plans for new energy power generation.

Fuxin Busbar, a subsidiary of the Group, adheres to the dual-new drive strategy of developing high-tech products and applying for high-tech enterprises, and was successfully awarded the first batch of high-tech enterprises in Liaoning Province in 2020. In recent years, Fuxin Busbar has realized the innovation of production technology, equipment, technology and team by taking advantage of the opportunity of relocation and transformation of the original factory area, and has successively completed the fully insulated cast busbar, fully insulated tubular busbar, intelligent busbar dehumidification system, wind power tower tubular type The design, development, manufacturing and sales of five new products such as busbars and intensive busbar ducts have won 21 national utility model patents and achieved new product revenue of RMB10 million. At the same time, a full series of busbar product platforms integrating power generation, substation and electricity consumption have been constructed, namely: the power generation market includes traditional closed busbars and newly developed tube busbars and cast busbars; There are dense bus ducts and cast bus ducts in the market, so as to meet the market demand in an all-round way, realize the three pillars of the customer market, and increase the ability of enterprises to respond to market changes and resist risks.

According to the public announcement of the new generation of e-commerce platform of State Grid on August 5 2022, the isolated-phase closed busbar supporting the pumped storage power generation project in Hami area of Xinjiang Autonomous Region won the bid of RMB14.27 million, sounded the horn of charge for entering the new energy development market of pumped storage.

## 6.3 Analysis of core competitiveness

Thanks to the long-term accumulation in many aspects such as product quality, brand culture, R&D capability, technology, management service and marketing over the years, the Company shows some advantages and industrial competitiveness, which can be seen in the close association between the development of the industry where the Company operates and macroeconomic policies of the State; a certain association between the market and macroeconomic development; advanced production equipment and strong manufacturing capabilities of power transmission and distribution products; accumulation of technological strength and high professional technological level; sound internal control system and standardized corporate governance; certain product development capabilities and investment and financing capabilities.

There were no material changes in the core competitiveness of the Company during the reporting period. By introducing talents, developing new products, and adapting to market demand adjustments and changes, the Company has improved its competitiveness in some product markets and achieved breakthroughs in some businesses.

## 6.4 Risks faced by the Company and measures

### 1. Market risks arising from macro-economic environment

The industry in which the Company operates is closely connected with the demands of the power equipment industry. The prosperous level of the industry is also directly pegged with the national economy. Given its significant impact on the Company, we will keep focusing on the impact of the national macroeconomy and the global economy over the industry. At the same time, as the hotel management industry where the Company operates was notably influenced by the epidemic in the first quarter of 2022, it is estimated that the epidemic will continue to have a significant impact on the operations of the Company for some time to come. Hence, the Company will carry out relevant epidemic prevention and control in strict accordance with the requirements of the relevant government departments while trying to apply for government support policies.

### 2. Risk of market competition

Enclosed busbars produced and hotel-related businesses operated by the Company are its principal activities. Intensifying market competition creates an adverse impact on the average profit margin of the industry. The Company will continue to improve its technology, strengthen innovation ability, scale up production, and enhance the efficiency of operation and management, along with efforts to prevent the decrease in operating income, gross margin of products and services as well as profitability caused by the outbreak of the epidemic, thereby strengthening the sustainable operation capacity of the Company.

### 3. Risk of strategic transformation

In order to smoothly transition the negative impact caused by the delisting of the A-share main board, the Company is seeking strategic transformation by tapping into such a modern service industry as hotel. The Company may have the risk of strategic transformation slippage, and even failure, provided that the transformation is not carried out as early as possible for various reasons. The Company will actively promote the related work, while developing relevant businesses to realize strategic transformation gradually through various methods.

## 6.5 Prospects for the second half of the year

Centered on the annual business objectives and work tasks for 2022, the Company's management will adopt comprehensive measures to change the loss-making situation by enhancing the operation efficiency and core competitiveness. For details, please see "Prospect of Future Development" set out in the Annual Report 2021. By virtue of seizing opportunities and making full use of the capital market, the Company will fine tune its main business and operating strategy and actively increase the operating income and profits from relevant businesses in the upstream and downstream of hotel operation, in a bid to enhance the sustained profitability and comprehensive competitive strength of the listed Company, promote its development and offer maximum protection to the interests of all shareholders, the minority shareholders in particular.

# Chapter 7 DISCUSSION AND ANALYSIS OF BUSINESS CONDITION

## Analysis of principal business prepared under the PRC GAAP

### 7.1 Overview

The Company has been primarily engaged in the R&D, design, production and sales businesses of products related to power transmission and transformation equipment in recent years. Our main products are enclosed busbars that are mainly applied to the power system field to enhance the transmission efficiency of power transmission lines and support the transmission of high power electric energy. Enclosed busbar plays an important role in the power system. Besides, Garden Lane Hotel, a holding subsidiary of the Company, actively expanded its hotel catering and accommodation businesses during the reporting period.

There was no material change in the principal business of the Company during the reporting period.

## 7.2 Analysis of changes in major financial information

### 7.2.1 Analysis of Asset Liability Structure

√ Applicable  Not applicable

Unit: RMB

Item	As at the end of the reporting period		As at the end of last year		Increase/decrease in the reporting period compared with the end of last year
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	
Monetary funds	16,545,067.01	9.01%	18,645,415.83	9.59%	-11.26%
Notes receivable	666,000.00	0.36%	-	0.00%	-
Accounts receivable	57,190,133.99	31.15%	55,336,307.45	28.46%	3.35%
Advances to suppliers	3,210,904.09	1.75%	2,563,355.39	1.32%	25.26%
Other receivables	28,178,311.86	15.35%	27,961,945.29	14.38%	0.77%
Inventories	18,528,624.22	10.09%	14,795,944.05	7.61%	25.23%
Other current assets	1,618,264.18	0.88%	1,367,430.85	0.70%	18.34%
Fixed assets	40,522,573.88	22.07%	42,179,538.52	21.69%	-3.93%
Right-of-use assets	5,460,477.68	2.97%	19,763,670.18	10.17%	-72.37%
Intangible assets	11,682,268.81	6.36%	11,814,271.87	6.08%	-1.12%

#### Reasons for major changes in the item:

Right-of-use assets: According to Hainan Garden Lane Flight Hotel Management Co., Ltd. With Changchun Mingmen Hotel Co., Ltd. and Jilin Tourism Group Co., Ltd. (Bauhinia Hotel, Changbai Mountain Hotel) terminated lease early on May 31 2022, the remaining book value of the right-of-use asset written down accordingly.

## 7.2.2 Business situation and cash flow analysis

 ✓ Applicable  Not applicable

Unit: RMB

Item	Amount for the reporting period		Amount for the same period of last year		Increase/decrease in the reporting period compared with the same period of last year
	Amount	As a percentage of operating incomes	Amount	As a percentage of operating incomes	
Cash received for sales of goods and rendering of services	87,463,461.05	240.29%	24,060,988.70	84.58%	263.51%
Tax refund received	304,174.55	0.84%	133,085.13	0.47%	128.56%
Other cash receipts relating to operating activities	6,624,916.44	18.20%	5,712,670.15	20.08%	15.97%
Cash payments for purchase of goods and services	58,993,355.54	162.08%	19,732,466.20	69.37%	198.97%
Cash paid to or on behalf of employees	25,590,538.53	70.31%	9,659,002.04	33.96%	164.94%
Taxes and fees paid	1,184,959.40	3.26%	1,440,956.48	5.07%	-17.77%
Other cash payments relating to operating activities	19,332,260.05	53.11%	7,909,706.90	27.81%	144.41%
Net cash flows from operating activities	-10,708,561.48	-	-8,835,387.64	-	21.20%
Net cash flows from investing activities	5,040,000.00	-	4,000,000.00	-	26.00%
Net cash flows from financing activities	-	-	-	-	-

**Reasons for major changes in the item:**

In the first half of 2022, compared with the same period of last year, the subsidiary Hainan Garden Lane Flight Hotel Management Co., Ltd. expanded the operation scale of hotel accommodation and catering business, added 6 new hotel businesses, and achieved steady growth in sales revenue. Cash inflows and operating cash outflows for purchasing goods, receiving labor services, and paying employees increased accordingly.

### 7.3 Assets and liabilities at fair value

No

### 7.4 Restricted assets as at the end of the reporting period

*Unit: RMB*

Item	Book value at the end of the year	Reasons for restriction
Monetary fund	3,521,386.98	Performance guarantee
Total	3,521,386.98	

### 7.5 Disposal of major assets

During the reporting period, there is no disposal of major assets.

## 7.6 Analysis of major controlling Company and invested Company

Unit: RMB

Company name	Company type	Principal business	Registered capital	Total asset	Net asset	Operating income	Net profit
Northeast Electric Development (HK) Co., Ltd.	Subsidiary	Trading	USD20 million	69,223,710.54	54,575,695.88	-	-53,507.17
Great Talent Technology Limited	Subsidiary	Investment	USD1	78,550,131.10	1,636,697.81	-	-9,443.52
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Manufacturing of electrical equipment	RMB1 million	50,372,291.16	-58,312,177.72	-	-325,953.09
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary	Manufacturing of enclosed busbars	USD8.5 million	108,613,751.79	-30,619,545.54	18,943,395.64	-5,261,855.31
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Subsidiary	Hotel business	RMB50 million	80,626,209.98	-134,436,558.58	17,455,399.22	-12,692,344.36
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary	Electric power engineering	RMB10 million	13,265,309.22	6,879,572.15	-	-
HNA Tianjin Center Development Co., Ltd.	Invested Company	Property leasing, hotel catering	RMB269,887,709	3,104,394,490.57	411,499,563.02	30,811,517.43	6,049,601.55
Chongqing HNA Hotel Investment Company Limited	Invested Company	Property leasing	RMB50 million	319,493,745.62	177,940,577.88	4,279,204.23	1,595,463.25



Analysis of the financial status of the Company in accordance with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

### **Share capital**

During the reporting period, there is no change in the share capital of the Company.

### **Reserve**

Details of the annual changes in the reserves of the Company and the Group are set out in the financial statements and the statement of changes in shareholders' equity.

### **Distributable reserve**

As at 30 June 2022, according to the relevant regulations, the Company's distributable reserve is RMB -1,995,486,361.80. Pursuant to the resolution approved at the Board meeting on 30 August 2022, the Board proposes not to distribute cash dividend, issue bonus share, or capitalize from capital reserves during the year.

### **Analysis of loans and borrowings**

The Group's short-term borrowings were nil (2021: nil).

## **Working capital and financial resources**

The net cash generated from the Group's operating activities for the half year ended 30 June 2022 was approximately RMB -10,708,561.48 (2021: net cash generated from operating activities of approximately RMB -8,835,387.64).

As at 30 June 2022, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB 16,545,067.01 (2021: RMB18,645,415.83) and had no bank loans (2021: nil).

As of 30 June 2022, the Group had current liabilities of RMB298,300,776.69, non-current liabilities of RMB 69,426,984.12, and shareholders' equity attributable to shareholders of the Company of RMB-186,185,382.16. Details of the capital structure of the Group are set out in the financial report of the Company's interim report.

The Company's funding needs have no obvious seasonal patterns.

## **Capital expenditure**

The Group's funds can meet the capital requirements of the capital expenditure plan and daily operations.

## **Capital structure**

The Company's sources of funds are mainly operating cash inflows and loans of substantial shareholders. As at 30 June 2022, the Group's short-term bank borrowings were nil, and the cash and cash equivalents were RMB 13,023,680.03 (2021 nil:). Borrowings bear fixed interest rates, and no hedging instruments are hedged.

The Group's policy is to manage its capital to ensure that the Group's entities are able to continue to operate while maximizing returns to shareholders by optimizing the ratio of liabilities and equity. The overall strategy of the Group has remained unchanged from previous years.



### **Prospects for new business**

Details of the prospects for new business are set out in “Prospects for the second half of the year” of “Discussion and Analysis of Business Condition”.

### **Significant investments held and the performance of such investments**

Details of significant investments held and the performance of these investments are set out in “Analysis of Major Controlling Company and Invested Company” of “Discussion and Analysis of Business Condition”.

### **Significant investments and sales**

Details of significant investments and sales are set out in “Disposal of major assets” of “Discussion and Analysis of Business Condition”.

### **Segmental information of results**

Details of segmental information of results are set out in the “Main Business Composition” of “Discussion and Analysis of Business Condition”.

### **Assets pledge**

As of 30 June 2022, the Company had fixed assets and net land value of RMB nil for mortgages.

**Plan for major investment or acquisition of capital assets in the future**

As of the latest practicable date prior to the publication of this report, the Company has no relevant plans.

**Gearing ratio**

As of 30 June 2022, the Group's gearing ratio (calculated as total liabilities/total assets) was 200.28% (2021: 186.17%).

**Risks of exchange rate fluctuation and any related hedges**

The Group's assets and liabilities are denominated in Renminbi, so the risk of exchange rate changes has little impact on the Group. The Group has taken the following measures in reducing the risk of exchange rate fluctuations: (1) increase the export price of products to reduce the risk of exchange rate fluctuations; (2) agree with the other party in advance in case of large export contracts that the risks of exchange rate fluctuations shall be borne by both parties when the exchange rate fluctuation exceeds the limit of agreed scope; (3) strive to sign forward agreements with financial institutions to lock up exchange rates and avoid risks.

**Contingent liabilities**

As of 30 June 2022, the Company had no material contingent liabilities.

## Chapter 8 Significant Events

### 8.1 Personnel changes

Please refer to “Chapter 5 Profiles of Directors, Supervisors and Senior Management”.

### 8.2 Staff of the Company and remuneration policy

As at 30 June 2022, the number of employees on the payroll of the Company was 416. The total salary of employees was RMB12 million in the first half of 2022 (the number of employees of the Group was 651 and the total salary of employees was RMB33,740,000 in 2021).

The remuneration of the employees of the Company includes their salaries, bonuses and other fringe benefits. The Company has different rates of remuneration for different employees, which are determined based on their performance, experience, position and other factors in compliance with the relevant PRC laws and regulations.

### 8.3 Corporate governance structure

At present, the actual corporate governance structure basically complies with the related requirements of securities regulators.

### 8.4 Profit distribution plan and its implementation

The Company proposes not to distribute cash dividend, issue bonus share, or capitalise from capital reserves.

## 8.5 Commitments performed during the reporting period and not yet performed as of the end of the reporting period by the de facto controller, shareholders, connected parties, acquirers of the Company and the Company

The Company did not have any commitments performed during the reporting period and not yet performed as of the end of the reporting period by the de facto controller, shareholders, connected parties, acquirers of the Company and the Company during the reporting period.

## 8.6 Litigation

### 1. The litigation brought by China Development Bank

The Supreme People's Court issued an enforcement order ((2017) Zui Gao Fa Zhi Fu No.27) in August 2017 to reject the reconsideration request made by NEE and affirm the enforcement order of Beijing Higher People's Court (2015) Gao Zhi Yi Zi No.52. The enforcement order was final. The case was transferred to Hainan First Intermediate People's Court on 21 June 2019. The ruling of the case is being implemented.

### 2. The litigation on the application made by Fushun Electric Porcelain Manufacturing Co., Ltd. (the "Fushun Electric Porcelain") for adjudicating NEE as a person subject to enforcement

The plaintiff, Fushun Electric Porcelain, and the third party, New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (the "Insulation Switches Company"), had a contract dispute, and the Fushun Intermediate People's Court ruled that Insulation Switches Company should pay Fushun Electric Porcelain the processing fee of RMB 11,258,221.34 and interest. Because Insulation Switches Company failed to perform, the plaintiff Fushun Electric Porcelain applied to add its shareholders Shenyang High Voltage Switchgear Co., Ltd. (the "Shenyang High Voltage Switchgear") and Northeast Electric as the persons subject to enforcement. Hainan First Intermediate People's Court ruled to add Shenyang High Voltage Switchgear Co., Ltd. as the person subject to execution, and rejected its request to add Northeast Electric as the person subject to execution. Now, Fushun Electric Porcelain has filed another lawsuit in this case, claiming that "the shareholder damages the Company's creditors' interests and liability disputes", requiring Northeast Electric to bear joint and several liability for Shenyang High Voltage Switchgear's debts. Currently, the case is still under trial. For details, please refer to the Announcement Involving Litigation dated July 15 2022.

3. Shenyang Kaiyi Electric Co., Ltd. v. Shenyang High Voltage Switchgear Co., Ltd. (the “Shenyang HVS”) and the third party Northeast Electric Development Co., Ltd. for unjust enrichment dispute

According to the Supreme People’s Court (2017) Zui Gao Fa Zhi Fu No. 27, Northeast Electric’s payment of RMB170.46 million to Shenyang HVS was not recognized as an act of fulfilling the judgment, resulting in a loss of RMB170.46 million by Northeast Electric. Shenyang HVS obtained the RMB170.46 million is an improper gain and should be returned to Northeast Electric. Shenyang Kaiyi sued the Hainan Provincial No. 1 Intermediate People’s Court, requesting an order for the defendant to return RMB170.46 million to the plaintiff and to pay interest on the use of funds. On May 20 2021, Hainan First Intermediate People’s Court opened a case to accept the case, the case number is (2021) Qiong 96 Min Chu No. 627. The first-instance trial held on August 23 2021.

During the litigation process of this case, because the defendant Shenyang High Voltage Switchgear Co., Ltd. was included in the market supervision department’s list of abnormal business operations and the list of serious illegal and untrustworthy, and was in a state of being unable to contact, it was unable to carry out the necessary investigation work, the result of the litigation may be adversely affect the Company. After comprehensive consideration, in order to protect the rights and interests of itself and its shareholders, on June 9 2022, Shenyang Kaiyi submitted the “Application for Withdrawal of Prosecution” to Hainan First Intermediate People’s Court, requesting to withdraw the lawsuit against the defendant. The plaintiff, Shenyang Kaiyi Electric Co., Ltd., is allowed to withdraw the lawsuit. For details, please refer to the Announcement Involving Litigation dated June 21 2022.

## 8.7 Material connected transactions

8.7.1 There are no material connected transactions in the Company during the reporting period.

8.7.2 Hainan Garden Lane Flight Hotel Management Co., Ltd. With Changchun Mingmen Hotel Co., Ltd. and Jilin Tourism Group Co., Ltd. (Bauhinia Hotel, Changbai Mountain Hotel) terminated lease early on 31 May 2022, For details, please refer to the Announcement dated 31 May 2022.

8.7.3 Daily related transactions of the Company during the reporting period

*Unit: RMB*

Type of Specific Matters	Estimated amount	Actual amount
1. Purchase raw materials, fuel, power, and accept labor services	26,933,000.00	11,815,668.18
2. Selling products, commodities, and providing services	1,160,000.00	1,091,355.32
3. Types of daily connected transactions applicable to the Company stipulated in the Company's articles of association	0	0
4. Others	1,432,200.00	287,309.99

*Note:* The estimated amount in this table is filled in according to the estimated amount to be incurred in 2022 in the “Announcement on the Expectation of Daily Related Transactions in 2022” (announcement No.: 2022-025) disclosed by the Company on April 28 2022.

## 8.8 Controlling shareholders and their connected parties' use of capital of the listed Company for non-operating purposes

Controlling shareholders and their connected parties did not use any capital of the listed Company for non-operating purposes during the reporting period.

## 8.9 Significant contracts and their execution

During the reporting period, the Company did not enter into any material trust, contracting or lease arrangement.

## 8.10 Guarantees

As at the end of the reporting period, the actual balance of the external guarantee provided by the Company totaled RMB30 million, with Jinzhou Power Capacitors Co., Ltd. as the collateral.

## 8.11 Corporate governance

During the reporting period, the listed issuer strictly complied with the code provisions of Corporate Governance Code as set out in Appendix 14 and had no deviations from the code provisions.

For more details on the implementation, please refer to the Corporate Governance Report disclosed in the Annual Report 2021. After the issuance of the annual report, the compliance and execution of the Code by the listed issuer remained unchanged.

## 8.12 Model Code for Securities Transactions by Directors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under the Listing Rules of Hong Kong Stock Exchange as a code of conduct for Directors’ securities transactions; after accepting specific inquiries, all members of the Board of the Company confirmed that they had complied with the Model Code during their tenure as the Directors.

The Board has formulated guidelines on the trading of securities of listed companies by “directors and relevant employees”. The Office of the Board has given written notices in advance to insiders (including the Company’s Directors, supervisors, senior management, controlling shareholders, de facto controllers and their connected parties, as defined in the Listing Rules) stating that purchase and sales of shares of the Company shall comply with relevant regulations and forbidding the insiders to purchase or sell the shares with inside information: no transactions of the Company’s securities shall be carried out during the price-sensitive timeframe within 30 days, a lock-up period from 30 July 2022 to 30 August 2022, prior to the results announcement.

All Directors confirmed that: During the reporting period, they had adhered to the guidelines, and neither they nor their connected parties conducted securities transactions of the Company.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of independent non-executive Directors and at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise. The Company has appointed three independent non-executive Directors including one with financial management expertise, of whom the biographical details are set out in the Annual Report 2021 of the Company.

The Company has been in place an audit committee under the Board in accordance with Rule 3.21 of the Listing Rules.

## 8.13 Others

### **Delisting of the Company's A shares**

According to the "2021 Audit Report" issued by Mazars Certified Public Accountants LLP (Special General Partnership), the Company's net profit after deducting non-recurring gains and loss in 2021 is negative and operating revenue is less than RMB100 million, and its net assets at the end of the period are negative. According to the first item (1) and (2) of Article 9.3.11 of the "Shenzhen Stock Exchange Listing Rules" (revised in 2022), when publishing the 2021 annual report, the Company disclosed the risk warning announcement of the Company's A shares being terminated from listing and trading suspension. The Company's A shares were terminated from listing by the Shenzhen Stock Exchange on April 20 2022, delisted from the Shenzhen Stock Exchange on May 24 2022, and are listed and trading on the National Equities Exchange and Quotations ("NEEQ") from July 13 2022.

### **Purchase, sale or redemption of shares**

During the reporting period, the Company and its subsidiaries did not purchase, sell and redeem any shares of the Company.

### **Loans to an entity**

At the end of the reporting period, neither the Company nor its subsidiaries have granted loans to any entity.

### **Pledge of shares by controlling shareholder**

At the end of the reporting period, the controlling shareholder of the Company did not pledge all or part of its equities in the Company to guarantee the Company's debts or warranty.

### **Terms included in the loan agreements under which the controlling shareholder shall fulfil specific responsibilities**

At the end of the reporting period, the Company and its subsidiaries did not encounter any situation where the controlling shareholder should fulfil specific responsibilities according to the terms included in the loan agreements.

### **Breach of loan agreements**

At the end of the reporting period, the Company and its subsidiaries did not have any breach of loan agreements.

### **Provision of financial assistance and guarantee to affiliates**

At the end of the reporting period, the Company and its subsidiaries did not provide any financial assistance and guarantee to affiliates.

### **Share option scheme**

During the reporting period, the Company and its subsidiaries did not have any share option scheme.

### **Directors, supervisors and chief executive's interests in the shares, underlying shares and debentures of the Company**

For details of Directors, supervisors and chief executives' interests in the shares, underlying shares and debentures of the Company, please see "Equity interest of Directors, supervisors and senior management" under "Profiles of Directors, Supervisors and Senior Management".

### **Audit of interim results**

The unaudited results for the six months ended 30 June 2022 were prepared by the Group in accordance with the PRC GAAP and IFRS.

The audit committee under the Board of the Company has reviewed and confirmed the interim results announcement of the Company for 2022.

The audit committee has approved the financial accounting principles, standards and methods adopted by the Company for the unaudited interim accounts for the six months ended 30 June 2022.

## **8.14 Subsequent events**

None

# Chapter 9 FINANCIAL STATEMENTS

## I. FINANCIAL STATEMENTS PREPARED UNDER THE IFRS

### (1) Consolidated Balance Sheet

Unit: RMB

Item	30 June 2022	31 December 2021
<b>Current assets:</b>		
Monetary funds	16,545,067.01	18,645,415.83
Deposit Reservation for Balance		
Lending funds		
Financial assets held for trading		
Derivative financial assets		
Notes receivable	666,000.00	
Accounts receivable	57,190,133.99	55,336,307.45
Receivables financing		
Advances to suppliers	3,210,904.09	2,563,355.39
Receivable premium		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	28,178,311.86	27,961,945.29
Including: Interests receivable		
Dividends receivable		

**(1) Consolidated Balance Sheet (Continued)**
*Unit: RMB*

Item	30 June 2022	31 December 2021
Redemptory monetary capital for sale		
Inventories	18,528,624.22	14,795,944.05
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	1,618,264.18	1,367,430.85
<b>Total current assets</b>	<b>125,937,305.35</b>	<b>120,670,398.86</b>
<b>Non-current assets:</b>		
Issuing loans and advances		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments		
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	40,522,573.88	42,179,538.52

**(1) Consolidated Balance Sheet (Continued)**

Unit: RMB

Item	30 June 2022	31 December 2021
Construction in progress		
Biological assets held for production		
Oil and gas assets		
Right-of-use assets	5,460,477.68	19,763,670.18
Intangible assets	11,682,268.81	11,814,271.87
Development expenditure		
Goodwill		
Long-term deferred charges		
Deferred income tax assets		
Other non-current assets		
<b>Total non-current assets</b>	<b>57,665,320.37</b>	<b>73,757,480.57</b>
<b>Total asset</b>	<b>183,602,625.72</b>	<b>194,427,879.43</b>

**(1) Consolidated Balance Sheet (Continued)**
*Unit: RMB*

Item	30 June 2022	31 December 2021
<b>Current liabilities:</b>		
Short-term borrowings		
Borrowings from central bank		
Loans from other banks and other financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	38,100,891.54	38,380,570.47
Advances from customers		
Contract liabilities	17,087,505.12	14,134,307.20
Sell to repurchase financial assets		
Deposits from customers and interbank		
Receiving from vicariously traded securities		
Receiving from vicariously sold securities		
Employment benefits payable	4,838,730.61	8,835,266.49
Taxes and fees payable	3,998,966.15	3,938,416.15
Other payables	210,060,173.74	191,146,104.42

**(1) Consolidated Balance Sheet (Continued)**

Unit: RMB

Item	30 June 2022	31 December 2021
Including: Interests payable		
Dividends payable		
Charges and commissions payable		
Dividend payable for reinsurance		
Held-for-sale liabilities		
Non-current liabilities due within one year	23,164,873.70	33,966,281.82
Other current liabilities	1,049,635.83	1,173,384.17
<b>Total current liabilities</b>	<b>298,300,776.69</b>	<b>291,574,330.72</b>
<b>Non-current liabilities:</b>		
Reserve fund for insurance contracts		
Long-term borrowings		
Debt instruments payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions	34,354,500.00	34,354,500.00
Deferred income	35,072,484.12	36,035,084.94

**(1) Consolidated Balance Sheet (Continued)**
*Unit: RMB*

Item	30 June 2022	31 December 2021
Deferred income tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>69,426,984.12</b>	<b>70,389,584.94</b>
<b>Total liabilities</b>	<b>367,727,760.81</b>	<b>361,963,915.66</b>
<b>Shareholders' equity:</b>		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	1,083,997,337.88	1,083,997,337.88
Less: Treasury stock		
Other comprehensive income	-256,653,482.64	-257,936,882.03
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
General risk provision		
Retained earnings	-1,995,486,361.80	-1,977,714,664.18
<b>Total equity attributable to shareholders of the Parent</b>	<b>-186,185,382.16</b>	<b>-169,697,083.93</b>
<b>Minority interests</b>	<b>2,060,247.07</b>	<b>2,161,047.70</b>
<b>Total shareholders' equity</b>	<b>-184,125,135.09</b>	<b>-167,536,036.23</b>
<b>Total liabilities and shareholders' equity</b>	<b>183,602,625.72</b>	<b>194,427,879.43</b>

*The Company's Chairman:*  
**Shang Duoxu**

*Chief Financial Officer:*  
**Mi Hongjie**

*Chief Accounting Officer:*  
**Jin Muhan**

**(2) Balance Sheet of parent company**

*Unit: RMB*

Item	30 June 2022	31 December 2021
<b>Current assets:</b>		
Monetary funds	7,393.51	18,629.59
Financial assets held for trading		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Advances to suppliers		
Other receivables	249,998,637.00	252,990,813.19
Including: Interests receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory		
Contract assets		
Held-for-sale assets		
Non-current assets due within one year		
Other current assets	609,433.66	609,433.66
<b>Total current assets</b>	<b>250,615,464.17</b>	<b>253,618,876.44</b>

**(2) Balance Sheet of parent company (Continued)**
*Unit: RMB*

Item	30 June 2022	31 December 2021
<b>Non-current assets:</b>		
Debt investments		
Other debt investments		
Long-term receivables		
Long-term equity investments	56,436,473.03	56,436,473.03
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	18,102.22	19,647.16
Construction in progress		
Biological assets held for production		
Oil and gas assets		
Right-of-use assets		
Intangible assets		
Development expenditure		
Goodwill		
Long-term deferred charges		
Deferred income tax assets		
Other non-current assets		
<b>Total non-current assets</b>	<b>56,454,575.25</b>	<b>56,456,120.19</b>
<b>Total asset</b>	<b>307,070,039.42</b>	<b>310,074,996.63</b>

**(2) Balance Sheet of parent company (Continued)**

Unit: RMB

Item	30 June 2022	31 December 2021
<b>Current liabilities:</b>		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances from customers		
Contract liabilities	581,743.59	581,743.59
Sell to repurchase financial assets		
Employment benefits payable	3,127,504.14	3,672,991.60
Taxes and fees payable	200,369.32	201,338.00
Other payables	162,669,507.41	163,325,829.29
Including: Interests payable		
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year		
Other current liabilities		
<b>Total current liabilities</b>	<b>166,579,124.46</b>	<b>167,781,902.48</b>

**(2) Balance Sheet of parent company (Continued)**
*Unit: RMB*

Item	30 June 2022	31 December 2021
<b>Non-current liabilities:</b>		
Long-term borrowings		
Debt instruments payable		
Including: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee benefits payable		
Provisions	34,354,500.00	34,354,500.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>34,354,500.00</b>	<b>34,354,500.00</b>
<b>Total liabilities</b>	<b>200,933,624.46</b>	<b>202,136,402.48</b>

**(2) Balance Sheet of parent company (Continued)**

Unit: RMB

Item	30 June 2022	31 December 2021
<b>Shareholders' equity:</b>		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	996,869,700.23	996,869,700.23
Less: Treasury stock		
Other comprehensive income		
Designated reserves		
Surplus reserves	108,587,124.40	108,587,124.40
General risk provision		
Retained earnings	-1,872,690,409.67	-1,870,888,230.48
<b>Total shareholders' equity</b>	<b>106,136,414.96</b>	<b>107,938,594.15</b>
<b>Total liabilities and shareholders' equity</b>	<b>307,070,039.42</b>	<b>310,074,996.63</b>

### (3) Consolidated income statement

Unit: RMB

Item	January-June 2022	January-June 2021
<b>I. Total operating income</b>	<b>79,081,901.29</b>	<b>28,446,337.20</b>
Including: Revenue from operation	79,081,901.29	28,446,337.20
Interest income		
The premium has been made		
Fee and commission income		
<b>II. Total operating costs</b>	<b>98,514,786.34</b>	<b>41,199,321.75</b>
Including: Cost for operation	38,471,647.39	19,329,133.16
Interest expense		
Service charge and commission fee		
Surrender value		
Net payments for insurance claims		
Draw the net insurance liability reserve		
Bond insurance expense		
Reinsurance expenses		
Taxes and surcharges	392,101.53	323,236.56
Selling expenses	30,647,669.79	10,642,743.98
Administrative expenses	28,734,561.95	9,650,603.99
Research and development expenses	1,236,526.06	728,861.03
Financial costs	-967,720.38	524,743.03
Including: Interest expense	-1,461,752.93	493,915.35
Interest income	19,158.83	6,951.90

**(3) Consolidated income statement (Continued)**

Unit: RMB

Item	January-June 2022	January-June 2021
Add: Other income	1,419,912.37	889,792.14
Investment income (loss presented with "-" prefix)		
Including: Investment income from associates and joint ventures		
Gain on derecognition of financial assets measured at amortized cost (loss presented with "-" prefix)		
Exchange earning (loss presented with "-" prefix)		
Net open hedge income (loss presented with "-" prefix)		
Gain from changes in fair value (loss presented with "-" prefix)		
Credit impairment loss (loss presented with "-" prefix)		
Asset impairment loss (loss presented with "-" prefix)	-4,451.22	
Gain on disposal of assets (loss presented by "-" prefix)		
<b>III. Profit from operation (loss presented with "-" prefix)</b>	<b>-18,008,521.46</b>	<b>-11,863,192.41</b>
Add: Non-operating income	128,641.29	10,262.03
Less: Non-operating expenses	578.57	622.85
<b>IV. Total profits (total loss presented with "-" prefix)</b>	<b>-17,880,458.74</b>	<b>-11,853,553.23</b>
Less: Income tax expenses	-7,960.49	

**(3) Consolidated income statement (Continued)**
*Unit: RMB*

Item	January-June 2022	January-June 2021
<b>V. Net profit (net loss presented with "-" prefix)</b>	<b>-17,872,498.25</b>	<b>-11,853,553.23</b>
Include: the net profit realized by the merged party before the merger		
A. Classified by business continuity	-	-
1. Net profit from continued operations (net loss presented with "-" prefix)	-17,872,498.25	-11,853,553.23
2. Net profit from discontinued operations (net loss presented with "-" prefix)		
B. Classified by ownership	-	-
1. Profits and losses attributable to minority interests (net loss presented with "-" prefix)	-100,800.63	-33,848.20
2. Net profit attributable to shareholders of the Parent (net loss presented with "-" prefix)	-17,771,697.62	-11,819,705.03
<b>VI. Net after-tax other comprehensive income</b>	<b>1,283,399.39</b>	<b>281,463.63</b>
A. Net after-tax other comprehensive income attributable to shareholders of the Parent	1,283,399.39	281,463.63
1. Other comprehensive income not reclassification to profit or loss		
(1) Remeasurement of changes in defined benefit plans		
(2) Other comprehensive income of non-convertible profit and loss under the equity method		
(3) Changes in fair value of other equity instruments investment		
(4) Changes in fair value of the company's own credit risk		
(5) Others		

**(3) Consolidated income statement (Continued)**

Unit: RMB

Item	January-June 2022	January-June 2021
2. Other comprehensive income reclassification to profit or loss	1,283,399.39	281,463.63
(1) Other comprehensive income of convertible profit and loss under the equity method		
(2) Changes in fair value of other debt investments		
(3) The amount of financial assets reclassified into other comprehensive income		
(4) Other debt investment credit impairment provisions		
(5) Cash flow hedge reserve		
(6) Exchange difference on translation of foreign financial statements	1,283,399.39	281,463.63
(7) Others		
B. Net after-tax other comprehensive income attributable to minority interests		
<b>VII. Total comprehensive income</b>	<b>-16,589,098.86</b>	<b>-11,572,089.60</b>
A. Total comprehensive income attributable to shareholders of the Parent	-16,589,098.86	-11,572,089.60
B. Total comprehensive income attributable to minority interests		
<b>VIII. Earning per share:</b>		
A. Basic earning per share (RMB per share)	-0.0205	-0.0135
B. Diluted earning per share (RMB per share)		

The Company's Chairman:  
**Shang Duoxu**

Chief Financial Officer:  
**Mi Hongjie**

Chief Accounting Officer:  
**Jin Muhan**

#### (4) Parent company income statement

Unit: RMB

Item	January-June 2022	January-June 2021
<b>I. Revenue from operation</b>		
Less: Cost for operation		
Taxes and surcharges		
Selling expenses		
Administrative expenses	1,828,413.61	3,403,447.33
Research and development expenses		
Financial costs	1,333.13	1,680.26
Including: Interest expense		
Interest income	75.69	11.67
Add: Other income		
Investment income (loss presented with "-" prefix)		
Including: Investment income from associates and joint ventures		
Gain on derecognition of financial assets measured at amortized cost (loss presented with "-" prefix)		
Exchange gains (loss presented with "-" prefix)		
Net open hedge income (loss presented with "-" prefix)		
Gain from changes in fair value (loss presented with "-" prefix)		
Credit impairment loss (loss presented with "-" prefix)		
Asset impairment loss (loss presented with "-" prefix)		
Gain on disposal of assets (loss presented by "-" prefix)		

**(4) Parent company income statement (Continued)**

Unit: RMB

Item	January-June 2022	January-June 2021
<b>II. Profit from operation (loss presented with “-” prefix)</b>	<b>-1,829,746.74</b>	<b>-3,405,127.59</b>
Add: Non-operating income	27,567.55	
Less: Non-operating expenses		113.53
<b>III. Total profits (total loss presented with “-” prefix)</b>	<b>-1,802,179.19</b>	<b>-3,405,241.12</b>
Less: Income tax expenses		
<b>IV. Net profit (net loss presented with “-” prefix)</b>	<b>-1,802,179.19</b>	<b>-3,405,241.12</b>
1. Net profit from continued operations (net loss presented with “-” prefix)		
2. Net profit from discontinued operations (net loss presented with “-” prefix)		
<b>V. Net after-tax other comprehensive income</b>		
1. Other comprehensive income not reclassification to profit or loss		
(1) Remeasurement of changes in defined benefit plans		
(2) Other comprehensive income of non-convertible profit and loss under the equity method		
(3) Changes in fair value of other equity instruments investment		
(4) Changes in fair value of the company's own credit risk		
(5) Others		

**(4) Parent company income statement (Continued)**
*Unit: RMB*

Item	January-June 2022	January-June 2021
2. Other comprehensive income reclassification to profit or loss		
(1) Other comprehensive income of convertible profit and loss under the equity method		
(2) Changes in fair value of other debt investments		
(3) The amount of financial assets reclassified into other comprehensive income		
(4) Other debt investment credit impairment provisions		
(5) Cash flow hedge reserve		
(6) Exchange difference on translation of foreign financial statements		
(7) Others		
<b>VI. Total comprehensive income</b>	<b>-1,802,179.19</b>	<b>-3,405,241.12</b>
<b>VII. Earnings per share:</b>		
A. Basic earnings per share (RMB per share)		
B. Diluted earnings per share (RMB per share)		

## (5) Consolidated statement of cash flow

Unit: RMB

Item	January-June 2022	January-June 2021
<b>I. Cash flows from operating activities:</b>		
Cash received for sales of goods and rendering of services	87,463,461.05	24,060,988.70
Net increase in customer deposits and interbank deposits		
Net increase in borrowing from the central bank		
Net increase in funds borrowed from other financial institutions		
Cash received from the original insurance contract premium		
Net cash received from reinsurance operations		
Net increase in policyholders' savings and investment funds		
Cash for interest, fees and commissions		
Net increase in borrowed funds		
Net increase in repurchase business funds		
Net cash received from agents buying and selling securities		
Tax refund received	304,174.55	133,085.13
Other cash receipts relating to operating activities	6,624,916.44	5,712,670.15
<b>Cash inflows from operating activities (subtotal)</b>	<b>94,392,552.04</b>	<b>29,906,743.98</b>

**(5) Consolidated statement of cash flow (Continued)**
*Unit: RMB*

Item	January-June 2022	January-June 2021
Cash payments for purchase of goods and services	58,993,355.54	19,732,466.20
Net increase in loans and advances to customers		
Net increase in deposits with central banks and interbank		
Cash to pay the original insurance contract compensation		
Net increase in financial assets held for trading purposes		
Net increase in borrowed funds		
Cash for interest, fees and commissions		
Cash to pay policy dividends		
Cash paid to or on behalf of employees	25,590,538.53	9,659,002.04
Taxes and fees paid	1,184,959.40	1,440,956.48
Other cash payments relating to operating activities	19,332,260.05	7,909,706.90
<b>Cash outflows for operating activities (subtotal)</b>	<b>105,101,113.52</b>	<b>38,742,131.62</b>
<b>Net cash flows from operating activities</b>	<b>-10,708,561.48</b>	<b>-8,835,387.64</b>
<b>II. Cash flows from investing activities:</b>		
Cash received from investment withdrawal		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,040,000.00	4,000,000.00
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities		
<b>Cash inflows from investing activities (subtotal)</b>	<b>5,040,000.00</b>	<b>4,000,000.00</b>

**(5) Consolidated statement of cash flow (Continued)**

Unit: RMB

Item	January-June 2022	January-June 2021
Cash paid for purchase or construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investment		
Net increase in mortgage loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities		
<b>Cash outflows for investing activities (subtotal)</b>		
<b>Net cash flows from investing activities</b>	<b>5,040,000.00</b>	<b>4,000,000.00</b>
<b>III. Cash flows from financing activities:</b>		
Cash received from investors		
Including: Cash received by subsidiaries from investments of minority shareholders		
Cash received from loans raised		
Cash received from bond issuance		
Other cash receipts relating to financing activities		
<b>Cash inflows from financing activities (subtotal)</b>		
Cash paid for debt repayment		

**(5) Consolidated statement of cash flow (Continued)**
*Unit: RMB*

Item	January-June 2022	January-June 2021
Cash paid for dividends, profit distribution and interests		
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities		
<b>Cash outflows for financing activities (subtotal)</b>		
<b>Net cash flows from financing activities</b>		
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>	<b>46,825.68</b>	<b>8,557.26</b>
<b>V. Net increase of cash and cash equivalents</b>	<b>-5,621,735.80</b>	<b>-4,826,830.38</b>
Add: cash and cash equivalents opening balance	18,645,415.83	8,535,909.71
<b>VI. Cash and cash equivalents closing balance</b>	<b>13,023,680.03</b>	<b>3,709,079.33</b>

*The Company's Chairman:*  
**Shang Duoxu**

*Chief Financial Officer:*  
**Mi Hongjie**

*Chief Accounting Officer:*  
**Jin Muhan**

## (6) Statement of cash flow of parent company

Unit: RMB

Item	January-June 2022	January-June 2021
<b>I. Cash flows from operating activities:</b>		
Cash received for sales of goods and rendering of services		
Tax refund received		
Other cash receipts relating to operating activities	3,099,846.01	2,682,290.28
<b>Cash inflows from operating activities (subtotal)</b>	<b>3,099,846.01</b>	<b>2,682,290.28</b>
Cash payments for purchase of goods and services		
Cash paid to or on behalf of employees	2,707,155.87	1,889,853.30
Taxes and fees paid		
Other cash payments relating to operating activities	403,926.22	794,114.32
<b>Cash outflows for operating activities (subtotal)</b>	<b>3,111,082.09</b>	<b>2,683,967.62</b>
Net cash flows from operating activities	-11,236.08	-1,677.34
<b>II. Cash flows from investing activities:</b>		
Cash received from investment withdrawal		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Other cash receipts relating to investing activities		
<b>Cash inflows from investing activities (subtotal)</b>		

**(6) Statement of cash flow of parent company (Continued)**
*Unit: RMB*

Item	January-June 2022	January-June 2021
Cash paid for purchase or construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash payments relating to investing activities		
<b>Cash outflows for investing activities (subtotal)</b>		
Net cash flows from investing activities		
<b>III. Cash flows from financing activities:</b>		
Cash received from investors		
Cash received from loans raised		
Cash received from bond issuance		
Other cash receipts relating to financing activities		
Cash inflows from financing activities (subtotal)		
Cash paid for debt repayment		
Cash paid for dividends, profit distribution and interests		
Other cash payments relating to financing activities		
Cash outflows for financing activities (subtotal)		
Net cash flows from financing activities		
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>		
<b>V. Net increase of cash and cash equivalents</b>	<b>-11,236.08</b>	<b>-1,677.34</b>
Add: cash and cash equivalents opening balance	18,629.59	1,683.02
<b>VI. Cash and cash equivalents closing balance</b>	<b>7,393.51</b>	<b>5.68</b>

## II. FINANCIAL STATEMENTS PREPARED UNDER THE PRC GAAP

### AUDIT REPORT

Has the interim report been audited?

Yes  No

The interim report of the Company has not been audited.

### FINANCIAL STATEMENTS

Unit in the financial statements of the notes to financial statements: RMB

**(1) Consolidated Balance Sheet**
*Unit: RMB*

Item	Notes	30 June 2022	31 December 2021
<b>Current assets:</b>			
Monetary funds	VI. 1	16,545,067.01	18,645,415.83
Deposit Reservation for Balance			
Lending funds			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	VI. 2	666,000.00	
Accounts receivable	VI. 3	57,190,133.99	55,336,307.45
Receivables financing			
Advances to suppliers	VI. 4	3,210,904.09	2,563,355.39
Receivable premium			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables	VI. 5	28,178,311.86	27,961,945.29
Including: Interests receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	VI. 6	18,528,624.22	14,795,944.05

**(1) Consolidated Balance Sheet (Continued)**

Unit: RMB

Item	Notes	30 June 2022	31 December 2021
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VI. 7	1,618,264.18	1,367,430.85
<b>Total current assets</b>		<b>125,937,305.35</b>	<b>120,670,398.86</b>
<b>Non-current assets:</b>			
Issuing loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	VI. 8		
Other equity instrument investments	VI. 9		
Other non-current financial assets			
Investment properties			
Fixed assets	VI. 10	40,522,573.88	42,179,538.52
Construction in progress			
Biological assets held for production			
Oil and gas assets			

**(1) Consolidated Balance Sheet (Continued)**
*Unit: RMB*

Item	Notes	30 June 2022	31 December 2021
Right-of-use assets	VI. 11	5,460,477.68	19,763,670.18
Intangible assets	VI. 12	11,682,268.81	11,814,271.87
Development expenditure	VI. 13		
Goodwill	VI. 14		
Long-term deferred charges			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>57,665,320.37</b>	<b>73,757,480.57</b>
<b>Total asset</b>		<b>183,602,625.72</b>	<b>194,427,879.43</b>

**(1) Consolidated Balance Sheet (Continued)**

Unit: RMB

Item	Notes	30 June 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings			
Borrowings from central bank			
Loans from other banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	VI. 15	38,100,891.54	38,380,570.47
Advances from customers			
Contract liabilities	VI. 16	17,087,505.12	14,134,307.20
Sell to repurchase financial assets			
Deposits from customers and interbank			
Receiving from vicariously traded securities			
Receiving from vicariously sold securities			
Employment benefits payable	VI. 17	4,838,730.61	8,835,266.49
Taxes and fees payable	VI. 18	3,998,966.15	3,938,416.15
Other payables	VI. 19	210,060,173.74	191,146,104.42

**(1) Consolidated Balance Sheet (Continued)**
*Unit: RMB*

Item	Notes	30 June 2022	31 December 2021
Including: Interests payable			
Dividends payable			
Charges and commissions payable			
Dividend payable for reinsurance			
Held-for-sale liabilities			
Non-current liabilities due within one year	VI. 20	23,164,873.70	33,966,281.82
Other current liabilities	VI. 21	1,049,635.83	1,173,384.17
<b>Total current liabilities</b>		<b>298,300,776.69</b>	<b>291,574,330.72</b>
<b>Non-current liabilities:</b>			
Reserve fund for insurance contracts			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	VI. 22		
Long-term payables			
Long-term employee benefits payable			
Provisions	VI. 23	34,354,500.00	34,354,500.00
Deferred income	VI. 24	35,072,484.12	36,035,084.94
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>69,426,984.12</b>	<b>70,389,584.94</b>
<b>Total liabilities</b>		<b>367,727,760.81</b>	<b>361,963,915.66</b>

**(1) Consolidated Balance Sheet (Continued)**

Unit: RMB

Item	Notes	30 June 2022	31 December 2021
<b>Shareholders' equity:</b>			
Share capital	VI. 25	873,370,000.00	873,370,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	VI. 26	1,083,997,337.88	1,083,997,337.88
Less: Treasury stock			
Other comprehensive income	VI. 27	-256,653,482.64	-257,936,882.03
Designated reserves			
Surplus reserves	VI. 28	108,587,124.40	108,587,124.40
General risk provision			
Retained earnings	VI. 29	-1,995,486,361.80	-1,977,714,664.18
<b>Total equity attributable to shareholders of the Parent</b>		<b>-186,185,382.16</b>	<b>-169,697,083.93</b>
Minority interests		2,060,247.07	2,161,047.70
<b>Total shareholders' equity</b>		<b>-184,125,135.09</b>	<b>-167,536,036.23</b>
<b>Total liabilities and shareholders' equity</b>		<b>183,602,625.72</b>	<b>194,427,879.43</b>

The Company's Chairman:  
**Shang Duoxu**

Chief Financial Officer:  
**Mi Hongjie**

Chief Accounting Officer:  
**Jin Muhan**

## (2) Balance Sheet of parent company

Unit: RMB

Item	Notes	30 June 2022	31 December 2021
<b>Current assets:</b>			
Monetary funds		7,393.51	18,629.59
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XV. 1		
Receivables financing			
Advances to suppliers			
Other receivables	XV. 2	249,998,637.00	252,990,813.19
Including: Interests receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventory			
Contract assets			
Redemptory monetary capital for sale			
Non-current assets due within one year			
Other current assets		609,433.66	609,433.66
<b>Total current assets</b>		<b>250,615,464.17</b>	<b>253,618,876.44</b>

**(2) Balance Sheet of parent company (Continued)**

Unit: RMB

Item	Notes	30 June 2022	31 December 2021
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XV.3	56,436,473.03	56,436,473.03
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		18,102.22	19,647.16
Construction in progress			
Biological assets held for production			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred charges			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>56,454,575.25</b>	<b>56,456,120.19</b>
<b>Total asset</b>		<b>307,070,039.42</b>	<b>310,074,996.63</b>

**(2) Balance Sheet of parent company (Continued)**
*Unit: RMB*

Item	Notes	30 June 2022	31 December 2021
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contract liabilities		581,743.59	581,743.59
Sell to repurchase financial assets			
Employment benefits payable		3,127,504.14	3,672,991.60
Taxes and fees payable		200,369.32	201,338.00
Other payables		162,669,507.41	163,325,829.29
Including: Interests payable			
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>166,579,124.46</b>	<b>167,781,902.48</b>

**(2) Balance Sheet of parent company (Continued)**

Unit: RMB

Item	Notes	30 June 2022	31 December 2021
<b>Non-current liabilities:</b>			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Other payables			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions		34,354,500.00	34,354,500.00
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>34,354,500.00</b>	<b>34,354,500.00</b>
<b>Total liabilities</b>		<b>200,933,624.46</b>	<b>202,136,402.48</b>

**(2) Balance Sheet of parent company (Continued)**
*Unit: RMB*

Item	Notes	30 June 2022	31 December 2021
<b>Shareholders' equity:</b>			
Share capital		873,370,000.00	873,370,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		996,869,700.23	996,869,700.23
Less: Treasury stock			
Other comprehensive income			
Designated reserves			
Surplus reserves		108,587,124.40	108,587,124.40
General risk provision			
Retained earnings		-1,872,690,409.67	-1,870,888,230.48
<b>Total shareholders' equity</b>		<b>106,136,414.96</b>	<b>107,938,594.15</b>
<b>Total liabilities and shareholders' equity</b>		<b>307,070,039.42</b>	<b>310,074,996.63</b>

**(3) Consolidated income statement**

Unit: RMB

Item	Notes	January-June 2022	January-June 2021
<b>I. Total operating income</b>		<b>36,398,794.86</b>	<b>28,446,337.20</b>
Including: Revenue from operation	VI. 30	36,398,794.86	28,446,337.20
Interest income			
The premium has been made			
Fee and commission income			
<b>II. Total operating costs</b>		<b>55,831,679.91</b>	<b>41,199,321.75</b>
Including: Cost for operation	VI. 30	29,096,149.21	19,329,133.16
Interest expense			
Service charge and commission fee			
Surrender value			
Net payments for insurance claims			
Draw the net insurance liability reserve			
Bond insurance expense			
Reinsurance expenses			
Taxes and surcharges	VI. 31	392,101.53	323,236.56
Selling expenses	VI. 32	7,602,614.51	10,642,743.98
Administrative expenses	VI. 33	15,972,670.52	9,650,603.99
Research and development expenses	VI. 34	1,236,526.06	728,861.03

**(3) Consolidated income statement (Continued)**
*Unit: RMB*

Item	Notes	January-June 2022	January-June 2021
Financial costs	VI. 35	1,531,618.08	524,743.03
Including: Interest expense		1,490,380.03	493,915.35
Interest income		16,926.56	6,951.90
Add: Other income	VI. 36	1,419,912.37	889,792.14
Investment income (loss presented with "-" prefix)			
Including: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Exchange earning(loss presented with "-" prefix)			
Net open hedge income (loss presented with "-" prefix)			
Gain from changes in fair value (loss presented with "-" prefix)			
Credit impairment loss (loss presented with "-" prefix)			
Asset impairment loss (loss presented with "-" prefix)	VI. 37	-4,451.22	
Gain on disposal of assets (loss presented by "-" prefix)			
<b>III. Profit from operation (loss presented with "-" prefix)</b>		<b>-18,008,521.46</b>	<b>-11,863,192.41</b>
Add: Non-operating income	VI. 38	128,641.29	10,262.03
Less: Non-operating expenses	VI. 39	578.57	622.85
<b>IV. Total profits (total loss presented with "-" prefix)</b>		<b>-17,880,458.74</b>	<b>-11,853,553.23</b>
Less: Income tax expenses	VI. 40	-7,960.49	

**(3) Consolidated income statement (Continued)**

Unit: RMB

Item	Notes	January-June 2022	January-June 2021
<b>V. Net profit (net loss presented with "-" prefix)</b>		<b>-17,872,498.25</b>	<b>-11,853,553.23</b>
Include: the net profit realized by the merged party before the merger			
A. Classified by business continuity	-	-	-
1. Net profit from continued operations (net loss presented with "-" prefix)		-17,872,498.25	-11,853,553.23
2. Net profit from discontinued operations (net loss presented with "-" prefix)			
B. Classified by ownership	-	-	-
1. Profits and losses attributable to minority interests (net loss presented with "-" prefix)		-100,800.63	-33,848.20
2. Net profit attributable to shareholders of the Parent (net loss presented with "-" prefix)		-17,771,697.62	-11,819,705.03
<b>VI. Net after-tax other comprehensive income</b>		<b>1,283,399.39</b>	<b>281,463.63</b>
A. Net after-tax other comprehensive income attributable to shareholders of the Parent		1,283,399.39	281,463.63
1. Other comprehensive income not reclassification to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income of non-convertible profit and loss under the equity method			
(3) Changes in fair value of other equity instruments investment			
(4) Changes in fair value of the company's own credit risk			
(5) Others			

**(3) Consolidated income statement (Continued)**
*Unit: RMB*

Item	Notes	January-June 2022	January-June 2021
2. Other comprehensive income reclassification to profit or loss		1,283,399.39	281,463.63
(1) Other comprehensive income of convertible profit and loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedge reserve			
(6) Exchange difference on translation of foreign financial statements		1,283,399.39	281,463.63
(7) Others			
B. Net after-tax other comprehensive income attributable to minority interests			
<b>VII. Total comprehensive income</b>		<b>-16,589,098.86</b>	<b>-11,572,089.60</b>
A. Total comprehensive income attributable to shareholders of the Parent		-16,589,098.86	-11,572,089.60
B. Total comprehensive income attributable to minority interests			
<b>VIII. Earning per share:</b>			
A. Basic earning per share (RMB per share)		-0.0205	-0.0135
B. Diluted earning per share (RMB per share)			

*The Company's Chairman:*  
**Shang Duoxu**

*Chief Financial Officer:*  
**Mi Hongjie**

*Chief Accounting Officer:*  
**Jin Muhan**

#### (4) Parent company income statement

Unit: RMB

Item	Notes	January-June 2022	January-June 2021
<b>I. Revenue from operation</b>			
Less: Cost for operation			
Taxes and surcharges			
Selling expenses			
Administrative expenses		1,828,413.61	3,403,447.33
Research and development expenses			
Financial costs		1,333.13	1,680.26
Including: Interest expense			
Interest income		75.69	11.67
Add: Other income			
Investment income (loss presented with "-" prefix)			
Including: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost (loss presented with "-" prefix)			
Exchange gains(loss presented with "-" prefix)			
Net open hedge income (loss presented with "-" prefix)			
Gain from changes in fair value (loss presented with "-prefix)			
Credit impairment loss (loss presented with "-" prefix)			
Asset impairment loss (loss presented with "-" prefix)			
Gain on disposal of assets (loss presented by "-" prefix)			

**(4) Parent company income statement (Continued)**
*Unit: RMB*

Item	Notes	January-June 2022	January-June 2021
<b>II. Profit from operation (loss presented with "-" prefix)</b>		<b>-1,829,746.74</b>	<b>-3,405,127.59</b>
Add: Non-operating income		27,567.55	
Less: Non-operating expenses			113.53
<b>III. Total profits (total loss presented with "-" prefix)</b>		<b>-1,802,179.19</b>	<b>-3,405,241.12</b>
Less: Income tax expenses			
<b>IV. Net profit (net loss presented with "-" prefix)</b>		<b>-1,802,179.19</b>	<b>-3,405,241.12</b>
1. Net profit from continued operations (net loss presented with "-" prefix)			
2. Net profit from discontinued operations (net loss presented with "-" prefix)			
<b>V. Net after-tax other comprehensive income</b>			
1. Other comprehensive income not reclassification to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income of non-convertible profit and loss under the equity method			
(3) Changes in fair value of other equity instruments investment			
(4) Changes in fair value of the company's own credit risk			
(5) Others			

**(4) Parent company income statement (Continued)**

Unit: RMB

Item	Notes	January-June 2022	January-June 2021
2. Other comprehensive income reclassification to profit or loss			
(1) Other comprehensive income of convertible profit and loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedge reserve			
(6) Exchange difference on translation of foreign financial statements			
(7) Others			
<b>VI. Total comprehensive income</b>		<b>-1,802,179.19</b>	<b>-3,405,241.12</b>
<b>VII. Earnings per share:</b>			
A. Basic earnings per share (RMB per share)			
B. Diluted earnings per share (RMB per share)			

**(5) Consolidated statement of cash flow**
*Unit: RMB*

Item	Notes	January-June 2022	January-June 2021
<b>I. Cash flows from operating activities:</b>		<b>87,463,461.05</b>	<b>24,060,988.70</b>
Cash received for sales of goods and rendering of services			
Net increase in customer deposits and interbank deposits			
Net increase in borrowing from the central bank			
Net increase in funds borrowed from other financial institutions			
Cash received from the original insurance contract premium			
Net cash received from reinsurance operations			
Net increase in policyholders' savings and investment funds			
Cash for interest, fees and commissions			
Net increase in borrowed funds			
Net increase in repurchase business funds			
Net cash received from agents buying and selling securities			
Tax refund received		304,174.55	133,085.13
Other cash receipts relating to operating activities		6,624,916.44	5,712,670.15
<b>Cash inflows from operating activities (subtotal)</b>		<b>94,392,552.04</b>	<b>29,906,743.98</b>

**(5) Consolidated statement of cash flow (Continued)**

Unit: RMB

Item	Notes	January-June 2022	January-June 2021
Cash payments for purchase of goods and services		58,993,355.54	19,732,466.20
Net increase in loans and advances to customers			
Net increase in deposits with central banks and interbank			
Cash to pay the original insurance contract compensation			
Net increase in financial assets held for trading purposes			
Net increase in borrowed funds			
Cash for interest, fees and commissions			
Cash to pay policy dividends			
Cash paid to or on behalf of employees		25,590,538.53	9,659,002.04
Taxes and fees paid		1,184,959.40	1,440,956.48
Other cash payments relating to operating activities		19,332,260.05	7,909,706.90
<b>Cash outflows for operating activities (subtotal)</b>		<b>105,101,113.52</b>	<b>38,742,131.62</b>
<b>Net cash flows from operating activities</b>		<b>-10,708,561.48</b>	<b>-8,835,387.64</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment withdrawal			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		5,040,000.00	4,000,000.00
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Cash inflows from investing activities (subtotal)</b>		<b>5,040,000.00</b>	<b>4,000,000.00</b>

**(5) Consolidated statement of cash flow (Continued)**
*Unit: RMB*

Item	Notes	January-June 2022	January-June 2021
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets			
Cash paid for investment			
Net increase in mortgage loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Cash outflows for investing activities (subtotal)</b>			
<b>Net cash flows from investing activities</b>		<b>5,040,000.00</b>	<b>4,000,000.00</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from investors			
Including: Cash received by subsidiaries from investments of minority shareholders			
Cash received from loans raised			
Cash received from bond issuance			
Other cash receipts relating to financing activities			
<b>Cash inflows from financing activities (subtotal)</b>			
Cash paid for debt repayment			

**(5) Consolidated statement of cash flow (Continued)**

Unit: RMB

Item	Notes	January-June 2022	January-June 2021
Cash paid for dividends, profit distribution and interests			
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities			
<b>Cash outflows for financing activities (subtotal)</b>			
<b>Net cash flows from financing activities</b>			
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>		<b>46,825.68</b>	<b>8,557.26</b>
<b>V. Net increase of cash and cash equivalents</b>		<b>-5,621,735.80</b>	<b>-4,826,830.38</b>
Add: cash and cash equivalents opening balance		18,645,415.83	8,535,909.71
<b>VI. Cash and cash equivalents closing balance</b>		<b>13,023,680.03</b>	<b>3,709,079.33</b>

The Company's Chairman:  
**Shang Duoxu**

Chief Financial Officer:  
**Mi Hongjie**

Chief Accounting Officer:  
**Jin Muhan**

**(6) Statement of cash flow of parent company**
*Unit: RMB*

Item	Notes	January-June 2022	January-June 2021
<b>I. Cash flows from operating activities:</b>			
Cash received for sales of goods and rendering of services			
Tax refund received			
Other cash receipts relating to operating activities		3,099,846.01	2,682,290.28
<b>Cash inflows from operating activities (subtotal)</b>		<b>3,099,846.01</b>	<b>2,682,290.28</b>
Cash payments for purchase of goods and services			
Cash paid to or on behalf of employees		2,707,155.87	1,889,853.30
Taxes and fees paid			
Other cash payments relating to operating activities		403,926.22	794,114.32
<b>Cash outflows for operating activities (subtotal)</b>		<b>3,111,082.09</b>	<b>2,683,967.62</b>
<b>Net cash flows from operating activities</b>		<b>-11,236.08</b>	<b>-1,677.34</b>

**(6) Statement of cash flow of parent company (Continued)**

Unit: RMB

Item	Notes	January-June 2022	January-June 2021
<b>II. Cash flows from investing activities:</b>			
Cash received from investment withdrawal			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Cash inflows from investing activities (subtotal)</b>			
Cash paid for purchase or construction of fixed assets, intangible assets and other long-term assets			
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Cash outflows for investing activities (subtotal)</b>			
<b>Net cash flows from investing activities</b>			

**(6) Statement of cash flow of parent company (Continued)**
*Unit: RMB*

Item	Notes	January-June 2022	January-June 2021
<b>III. Cash flows from financing activities:</b>			
Cash received from investors			
Cash received from loans raised			
Cash received from bond issuance			
Other cash receipts relating to financing activities			
<b>Cash inflows from financing activities (subtotal)</b>			
Cash paid for debt repayment			
Cash paid for dividends, profit distribution and interests			
Other cash payments relating to financing activities			
<b>Cash outflows for financing activities (subtotal)</b>			
<b>Net cash flows from financing activities</b>			
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>			
<b>V. Net increase of cash and cash equivalents</b>		<b>-11,236.08</b>	<b>-1,677.34</b>
Add: cash and cash equivalents opening balance		18,629.59	1,683.02
<b>VI. Cash and cash equivalents closing balance</b>		<b>7,393.51</b>	<b>5.68</b>

## Company Profile

Northeast Electric Development Co., Ltd. (“**the Company**” or “**Company**”) was officially founded on 18 February 1993. In 1995, the Company issued 257.95 million of H-shares in Hong Kong and was listed on the Hong Kong Stock Exchange on 6 July 1995. In the same year the Company issued 30 million of A-shares in a public offering and was listed on the Shenzhen Stock Exchange on 13 December 1995. The Company’s registered address is at Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province.

The Company and its subsidiaries (collectively, the “**Group**”) mainly engage in production and sales of enclosed busbar, hotel catering and accommodation.

The financial statements were approved through the resolution on 30 August 2022 by the Board of Directors of the Company.

The Company’s parent company is Beijing Haihongyuan Investment Management Co., Ltd. (hereinafter referred to as “**Haihongyuan**”); Due to the implementation of the “Reorganization Plan for Substantive Merger and Reorganization of 321 Companies including HNA Group Co., Ltd.”, the actual controller of Northeast Electric was changed from Hainan Province Cihang Foundation to no actual controller.

As of 30 June 2022, the results of 6 subsidiaries of the Group have been consolidated. Please see Note 8 “**Equity in other entities**”. There is no change in the Group’s consolidation scope this year compared with last year.

## Basis of Preparation of Financial Statements

### 1. Basic of preparation

The financial statements of the Group have been prepared based on the actual transactions and events on a going concern basis in accordance with the requirements of “Accounting Standards for Business Enterprises – Basic Standards” issued by Decree No.33 of the Ministry of Finance and amended by Decree No.76 of the Ministry of Finance, and 41 Specific Accounting Standards issued and amended by the Ministry of Finance on and after 15 February 2006, and application guidelines, explanations and other relevant regulations which were announced subsequently (collectively, the “**Accounting Standards for Business Enterprises**”), and the disclosure requirements under the “Disclosure Requirement on Listed Issuers No.15 – General Requirements on Financial Statements (2014 revision)” issued by China Securities Regulatory Commission.

The Group has prepared its financial accounting by Accrual Basis, according to the relevant regulations of the Accounting Standards for Business Enterprises. Except for some financial instruments, the financial statements are valued at historical cost. Impairment of assets reserves is allocated once such impairment happens.

### 2. Continuing operations

At the 30 June 2022, the Company had a cumulative net loss of RMB-1,996,486,400, the equity attributable to shareholders of the parent company was RMB-186,185,400, and current liabilities were RMB172,363,500 more than current assets. In the meantime, the aggregate compensation for resolved litigation has amounted to RMB94,078,100.

These are major items or uncertainties that might probably cause concerns in regards with the continuing operation ability of the Company, even cause the Company unable to liquidate its assets and repay debts in the normal course of business.

While evaluating whether the Group has sufficient financial resources to continue as a going concern, the Company has taken into account the future liquidity and its source of funds available. The Company plans to take the following measures to improve its ability to continue as a going concern:

- (1) By laying more efforts on collection of accounts receivable while seeking external funding support, the Group is capable of guaranteeing its own funding requirements. Funding sources: Firstly, the Group strengthens supply chain and internal funding management and strives for collection of accounts receivable. Secondly, Shenyang Kaiyi Electric Co., Ltd. (“Shenyang Kaiyi”), a wholly-owned subsidiary of the Company, has entered into a loan contract with Yunshangtong International Holding Company Limited (“Yunshangtong”). As agreed in 2022, Yunshangtong will continue to lend a loan with a maximum balance of no more than RMB50 million to Shenyang Kaiyi to support the production and operations of the latter. Thirdly, Fuxin Enclosed Busbar Company Limited (“Fuxin Busbar”), a subsidiary of the Company, has good bank credit and financing records and financing ability; in the future, depending on its own business expansion needs, it can apply for bank credit and loan support by mortgaging real estate and lands in the factory, which will be sufficient to support its ongoing operation for the next 12 months. With these measures, the Group will sufficiently guarantee working capital requirements and achieve the balance of cash flows.
- (2) Financing channels in the capital market will be fully utilised to bring in strategic investors in both ways. In 2022, the Company will maintain the operation of closed busbar and hotel and catering, while continuing to bring in strategic investors. On the one hand, the Company will utilise the H-share capital market to raise funds for new business through new offering of H-shares by Northeast Electric. On the other hand, the Company will bring in strategic investors by virtue of Fuxin Busbar’s equipment in its plant and production technology resources, in order to enrich the structure of power transmission and transformation equipment and boost its performance growth.
- (3) Human resources will be allocated appropriately to tighten control over cost. Based on the operation scale, the Group will adjust the organising structure of the head office by downsizing headcounts at the head office, gradually shifts to flat management and effectively reduce operation costs. The Group will optimise asset management, intensify overall budget management and cost control, strictly control expenditure, reduce operating costs and maximise the profitability of main business.
- (4) The Group will tap into new markets and expand new business. To turn the operating activities from loss into profits, the Group adjusts its product structure with a centre on the development of traditional busbar transmission and transformation equipment. By ensuring the traditional busbar products, the Group will increase the proportion of renovation projects with high gross margin, insulating pipe busbar and other products in its sales revenue, so that it can buy more time for future transformation.

The management of the Group is of the opinion that the measures above are reasonable to prepare these financial statements on a going concern basis.

### **III. Statement of Compliance with the Accounting Standards for Business Enterprises**

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company and the Group as at 30 June 2022 and the operating results, cash flows and other information for the year 2022. In addition, all material aspects of the financial statements of the Company and the Group are compliant with the “Disclosure Requirement on Listed Issuers No.15 – General Requirements on Financial Statements (2014 revision)” issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and their accompanying notes.

### **IV. Significant Accounting Policies and Accounting Estimates**

The Group has set up certain specific Accounting Policies and Accounting Estimates on accounting items such as Accounts Receivables, Inventories, Fixed Assets, and Income according to actual characteristics of manufacturing and operations and the relevant stipulations in the Accounting Standards for Business Enterprises. For the explanations on significant accounting judgements and estimates made by the Management, please refer to Note 4.32 “Major accounting judgment and estimate”.

#### **1. Accounting period**

The accounting period of the Group is divided into annual and interim, and interim accounting period represents a reporting period which is shorter than an annual accounting period. The annual accounting period of the Group commences on 1 January and ends on 31 December each year.

#### **2. Operating cycle**

A normal operating cycle starts from purchasing assets used to produce, and ends when cash or cash equivalents are realised. It's the Group's practice to set an operating cycle as 12 months, which is also the standard classification criterion for status of liquidity of both assets and liabilities.

#### **3. Recording currency**

The recording currency of the Company and the subsidiaries incorporated and operated in mainland China is Renminbi (RMB), which is the currency of the primary economic environment in which they operate. The recording currency of the subsidiaries incorporated outside mainland China is Hong Kong Dollar (HKD), which is the currency of the primary economic environment in which they operate. The financial statements of the Group are represented in RMB.

#### 4. Accounting treatment for business combinations under common control and business combination not under common control

Business combinations represent the consolidation of the transactions and events of two or more individual enterprises. Business combinations can be classified as business combination under common control and business combination not under common control.

##### (1) Business combination under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For business combination under common control, the party obtaining the control of the other parties at the combination date is the acquiring party, other parties involved in the business combination are the parties being acquired. The combination date is the date on which the acquiring party effectively obtains control of the parties being acquired.

Assets and liabilities that are obtained by the acquiring party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the parties being acquired. The difference between the carrying amount of the net assets obtained by the acquiring party and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to capital reserve (or share premium). If the capital reserve (or share premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Expenses that are directly attributable to business combination are expensed in the profit and loss in the period incurred.

##### (2) Business combination not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties either before or after the combination. For business combination not under common control, the party obtaining the control of the other parties at the acquisition date is the acquirer, other parties involved in the business combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquirees.

For business combination not under common control, the cost of business combination includes assets paid by the acquirer, liabilities paid or undertaken and the fair value of equity securities issued for the controlling interest of the acquiree on the acquisition date. Costs that are directly attributable to the business combination such as audit fee, legal service fee, consultancy fee and other intermediate expenses as well as other management fees incurred by the company as acquirer are expensed in the profit or loss in the period incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognised amount of equity securities or debt securities. The contingent consideration involved is included in the cost of combination at its fair value on the acquisition date. For conditions that existed at the date of the acquisition and within 12 months from the acquisition date, when there is new or further evidence which requires the adjustment of the contingent consideration, the goodwill arising from the business combination shall be amended accordingly. The cost of combination incurred and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill; for those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in combination, re-verification is first carried out on the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities as well as the combination cost. For those with combination cost still lower than the portion of fair value of net identifiable assets of acquiree acquired in combination after re-verification, they are recognized in profit or loss for the period.

In relation to the deductible temporary differences acquired from the acquiree which were not recognised as deferred tax assets due to non-fulfillment of the recognition criteria on the acquisition date, for conditions that existed at the date of the acquisition and within 12 months from the acquisition date, when there is updated or new evidence that indicates future taxable profits will be available to utilize the deductible temporary differences, the relevant deferred tax assets shall be recognised and set-off against goodwill, when the amount of goodwill is less than the deferred tax assets that shall be recognised, the difference shall be recognised in current profit or loss. Except for the above circumstances, deferred tax assets recognised in relation to business combination are recognised in profit or loss for the period.

For a business combination not involving enterprises under common control and achieved in stages, the Company would determine whether the business combination shall be regarded as "a bundle of transactions" in accordance with the criteria for "a bundle of transactions" in "Interpretation 5 on Accounting Standards for Business Enterprises" (Cai Kuai [2012] No.19) and Article 51 of "Decree 33, Accounting Standards for Business Enterprises – Consolidated Reports" (Refer to paragraph (2) under Note 4.5 "Preparation method of consolidated financial statements"). When the business combination is regarded as "a bundle of transactions", the accounting treatment for the business combination shall be in accordance with the previous paragraphs and Note Long-term equity investments"; when the business combination is not regarded as "a bundle of transactions", the accounting treatment for the individual financial statements and consolidated financial statements shall be as follows:

In the Company's financial statements, the initial cost of the investment shall be the sum of the carrying amount of its previously-held equity investment in the acquiree prior to the acquisition date and the amount of additional investment made to the acquiree at the acquisition date. The other comprehensive income involved in the previously-held equity interest in the acquiree prior to the acquisition date is accounted on the same basis as the investee when disposing of its relative assets or liabilities.

In the consolidated financial statements, the previously-held equity interest in the acquiree prior to the acquisition date is remeasured at fair value on the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period. The other comprehensive income relating to the previously-held equity interest in the acquiree prior to the acquisition date is accounted on the same basis as the investee when disposing of its relative assets or liabilities.

## **5. Preparation method of consolidated financial statements**

### **(1) Scope of consolidation**

The consolidated scope of consolidated financial statements is determined based on the concept of control. Control is the power the Group has over the investee(s), by which the Group enjoys variable return on investment by taking part in the investee's operating activities, and is able to affect the amount of return by using such power. The scope of consolidation includes the Company and all of its subsidiaries. Subsidiaries are the entities controlled by the Group.

The Group will re-evaluate the definition once any relative element changes due to facts or circumstances change.

(2) Preparation method of consolidated financial statements

Subsidiaries are consolidated from the date on which the Group obtains control of their net assets and operating policies and are deconsolidated from the date that such control ceases. For subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated financial statements would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated financial statements would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting periods of the Company. For subsidiaries acquired from a business combination not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements.

The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Company are presented as minority interests and profits and losses attributable to minority interests in the consolidated financial statements under shareholders' equity and net profit respectively. Subsidiary's net profits or losses for the period attributable to minority interests are presented in the consolidated income statement as "profits and losses attributable to minority interests" under net profit. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

When the control to a subsidiary ceased due to disposal of a portion of equity investment in the subsidiary or other reasons, the remaining equity interest is remeasured at its fair value on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the acquirer since acquisition date according to the original shareholding ratio, is recognised as the investment income from the loss of control. Other comprehensive income in relation to the original equity investment in the subsidiary is accounted on the same basis as the investee when disposing the related assets or liabilities when control ceased (i.e. except for changes due to net liabilities or net assets from such subsidiary's re-measured defined benefits plan, the rest is reclassified as investment income during the period). Subsequent measurement of the remaining interests shall be in accordance with relevant accounting standards such as "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standards for Business Enterprises No. 22 – Financial Instruments Recognition and Measurement", which are detailed in Note 4. 14 "Long-term equity investments" or Note 4. 9 "Financial instruments".

The Group shall determine whether a series of transactions in relation to disposal of equity investment in or even loss of control over a subsidiary in stages should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions meet one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: (i) The transactions are entered into simultaneously or after considering the mutual consequences of each individual transaction; (ii) The transactions need to be considered as a whole in order to achieve a deal with commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transaction(s) in the series; and (iv) The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as "disposal of a portion of an interest in a subsidiary which does not lead to loss of control" (detailed in paragraph (2)(iv) under Note 4.14 "Long-term equity investments") and "disposal of a portion of an interest in a subsidiary which leads to loss of control" (detailed in the previous paragraph), as the case may be. When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transaction before loss of control shall be recognised as other comprehensive income in the consolidated financial statements, and reclassified as profit or loss arising from the loss of control when control is lost.

## 6. Joint venture arrangement classification and relative accounting methods

Joint venture arrangement is the arrangement jointly controlled by two or more parties. The Group classifies such arrangement as joint operation and joint venture according to the rights and obligations set out in the arrangement. Joint operation refers to the relative arrangement that the Group shares the assets as well as the liabilities of the invested entity. Joint venture refers to the arrangement that the Group shares only the net asset of the invested entity.

Equity method is adopted to account for investment in the joint ventures by the Group in accordance with the accounting policy as set out in paragraph (2)(ii) “Long-term equity investment accounted for using equity method” under Note 4.14 “Long-term equity investments”.

In Joint operation, the Group recognises asset and liability singly held, and shared assets and liabilities pro rata shares in the invested entity by the Group. Income pro rata the Group’s share in the joint operation production is recognised, as well as income from sales of products pro rata the Group’s share in the joint operation. Moreover, expenses by the Group as well as shared expenses pro rata the Group’s share in the joint operation are recognised.

When the Group, as a party in the joint operation, transfers or sells assets to, or purchases assets from the joint operation, only the relative profit or loss arising from such transaction attributable to other participating parties will be recognised by the Group before the relative asset is sold to a third party. Where an impairment loss occurs due to such transaction and meet the criteria of “Accounting Standard for Business Enterprise No.8 – Impairment of assets”, the Group will recognise loss in full amount if it is the Group that transfers or sells assets to joint operation, and will recognise shared loss if it is the Group that purchases the assets from joint operation. (note: The transaction mentioned in this paragraph does not constitute a business transaction)

## 7. Definitions of cash and cash equivalents

Cash and cash equivalents of the Group comprise cash on hand, deposits that can be readily drawn on demand, and short-term (usually mature within three months since acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 8. Translation of foreign currency transactions and foreign currency financial statements

### (1) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated to the recording currency using the spot exchange rate at the dates of the transactions (refer to the midpoint rate published by the People's Bank of China on the same day, hereafter the same), except when the Group carried on a business of currency exchange or was involved in currency exchange transactions, at which the actual exchange rates would be used.

### (2) Foreign currency translations for foreign-currency monetary items and foreign-currency nonmonetary items

At the balance sheet date, monetary items denominated in foreign currency are translated into the recording currency using the spot rate of the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current year, except for (i) those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets; and (ii) exchange difference arising from changes in carrying amount of available for sale foreign-currency monetary items other than changes in amortised cost, which is recognised in other comprehensive income.

Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated into the recording currency at the balance sheet date using the spot rate at the date of the transactions. Nonmonetary items denominated in foreign currency that are measured at fair value are translated into the recording currency using the spot rate on the date when fair value is determined and the resulting exchange differences will be recognised as changes in fair value (including a change of exchange rate) in profit or loss for the period or in other comprehensive income.

### (3) Translation of foreign currency financial statements

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirements: The asset and liability items in the balance sheets are translated at the spot exchange rates on the balance sheet date. Under the shareholders' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements are translated at the spot exchange rates of the transaction dates. Opening balance of undistributed profits is equal to the closing balance of undistributed profits after translation in last year; closing balance of undistributed profit is computed according to the items in profit distribution after translation. The exchange difference arising from translation of assets, liabilities and equity items is recognized as other comprehensive income. Such exchange difference in relation to the foreign operation as shown under shareholders' equity in the balance sheet will be reclassified to profit or loss for current period in full or on a pro rata basis when the foreign operation is disposed and leads to a loss of control.

The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately as an adjustment item in the cash flow statement.

The opening balances and the prior year's actual figures are presented as the balances after translation in the financial statements of last year.

All the translation differences in relation to the foreign operation as shown under shareholders' equity in balance sheet and attributable to owners' of the parent company are reclassified into the profit & loss for the period, when the Group disposes all of offshore shareholders' equity, or ceases control over its overseas operations due to partial disposal of equity investment or other reasons.

The Group takes the exchange difference from its overseas operations related foreign currency reports into minority interests but not in the profit & loss for the period, when its shareholding declines but still remains control over the relative operations when disposing part of the equity investment or due to other reasons. Such exchange differences are taken into the current profit & loss on a pro rata basis when the share equity disposed are with the Group's associate or joint venture.

In case of foreign-currency monetary items that substantially constitute net investment in a foreign operation, the exchange difference arising from changes in exchange rate will be recognised as other comprehensive income under the item "exchange difference" in consolidated financial statements; when the foreign operation is disposed, the exchange difference will be recognised in the profit or loss during the period of disposal.

## 9. Financial instruments

A financial asset or financial liability is recognised when the Group becomes a party to the relative financial instrument contract.

### (1) Classification, recognition and measurement of financial assets

The Group classifies financial assets into three categories based on the business model under which the financial asset is managed and its contractual cash flow characteristics: financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive income; and financial assets measured at fair value through current profit or loss.

The financial asset is measured at fair value when it's initially recognised. Transaction expenses of financial assets measured at fair value through current profit or loss are accounted directly into Profit & Loss for the period, while transaction expenses of other types of financial assets are classified in their initial recognized amounts. For accounts receivable or bills receivable arising from the sale of products or the provision of services that do not contain or consider significant financing components, the Group shall use the consideration amount that is expected to be received as the initial recognised amount.

#### (i) Financial assets measured at amortised cost

The Group's business model for managing financial assets measured at amortised cost is to collect contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, i.e. the cash flows generated on a specific date are solely payments of principal and interest on the principal amounts outstanding. Such financial assets of the Group are subsequently measured at amortised cost using the effective interest method. The gains or losses arising from amortisation or impairment are recognised in profit or loss for the period.

#### (ii) Financial assets measured at fair value through other comprehensive income

The Group's business model for managing such financial assets is to target both the collection of contractual cash flows and the sale, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income by the Group. The impairment losses or gains, exchange gain or loss and interest income calculated using the effective interest method are recognised in profit or loss for the period.

In addition, the Group has designated certain non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income. The Group includes the related dividend income of such financial assets in the current profit and loss, and changes in fair value in other comprehensive income. When the financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings, which are not recognised in the current profit or loss.

(iii) Financial assets measured at fair value through current profit or loss

The financial assets which are neither measured at amortised cost nor measured at fair value through other comprehensive income are classified as financial assets measured at fair value through current profit or loss. In addition, at the time of initial recognition, the Group designated certain financial assets as financial assets measured at fair value through current profit or loss in order to eliminate or significantly reduce accounting mismatch. For such financial assets, the Group adopts fair value for subsequent measurement, and changes in fair value are included in current profit and loss.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities at initial recognition are classified into financial liabilities at fair value through current profit or loss and other financial liabilities. For financial liabilities at fair value through current profit or loss, the relevant transaction costs are recognised in current profit or loss, for other financial liabilities, the relevant transaction costs are recognised in the amount of initial recognition.

(i) Financial liabilities measured at fair value through current profit or loss

Financial liabilities measured at fair value through current profit or loss include the transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at fair value through current profit or loss at inception.

Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for relating to hedge accounting, changes in fair value are recognised in current profit or loss.

For financial liabilities measured at fair value through current profit or loss, the changes in fair value of the liabilities arising from changes in the Group's own credit risk are included in other comprehensive income, and when the liabilities are derecognised, the accumulated changes in fair value included in other comprehensive income caused by changes in its own credit risk are transferred to retained earnings. The remaining changes in fair value are included in the current profit and loss. If the effects of changes in the credit risk of these financial liabilities are treated as described above, which may cause or expand the accounting mismatch in the profit or loss, the Group will include the entire gain or loss of financial liabilities (including the amount affected by changes in the Company's credit risk) in the current profit and loss.

(ii) Other financial liabilities

Financial liabilities other than financial liabilities and financial guarantee contracts formed by the transfer of financial assets that do not meet the conditions for termination of recognition or continue to be involved in the transferred financial assets are classified as financial liabilities measured at amortised cost, which are subsequently measured at amortised cost, and the gains or losses resulting from termination of recognition or amortization are included in current profit and loss.

(3) Recognition and measurement on transfer of financial assets

A financial asset shall be de-recognised when one of the following conditions is met: (i) the contractual right for receiving cash flows from the financial asset is terminated; (ii) the financial asset is transferred, and the risk and rewards of ownership of the financial asset have been substantially transferred to the transferee; and (iii) the financial asset is transferred; the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but ceases the control over the financial asset.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and the control over the financial asset is not ceased, the financial asset and the related financial liabilities should be recognised based on the degree of continuing involvement. The degree of continuing involvement means the level of risks borne by the Company resulting from the change in value of the financial asset.

When the de-recognition criteria are met and the financial asset is wholly transferred, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income is recognised in current profit or loss.

When the de-recognition criteria are met and the financial asset is partially transferred, the carrying amount of the financial asset transferred should be apportioned based on fair value to the derecognised portion or the nonderecognised portion, and the difference between the sum of the consideration received and the cumulative changes in fair value of the portion that shall be apportioned to the derecognised portion and had been recognized directly in other comprehensive income and the apportioned carrying amount is recognised in current profit or loss.

For financial assets that are sold with recourse or endorsement, the Group needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial asset shall be derecognised. If the risk and rewards of ownership of the financial asset have been substantially retained, the financial asset shall not be de-recognised. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group shall assess whether the control over the financial asset is retained, and the financial assets shall be accounted for according to the above paragraphs.

(4) Derecognition of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the Group derecognizes the financial liability (or part of the financial liability). The Group (borrower) enters into an agreement with the lender to replace the original financial liability in the form of a new financial liability, and if the new financial liability is substantially different from the original financial liability, the original financial liability is derecognised and the new financial liability is recognised. If the Group makes substantial changes to the contractual terms of the original financial liability (or a part thereof), the original financial liability is derecognised and the new financial liability is recognised in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognised, the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognised in current profit or loss.

(5) Offsetting financial assets and financial liabilities

When the Group has the legal right to offset recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Group has a plan to settle the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented in the balance sheet at net amount after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately in the balance sheet.

(6) Determination of fair value of financial assets and financial liabilities

Fair value is the amount at which an asset could be sold or a liability could be transferred between willing parties in an orderly transaction on a measurement date. The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. Quoted price in the active market represents quoted price which can be easily obtained periodically from exchange market, brokers, industry associations or pricing services agency, etc., which is the transactions amount in arm's length transactions. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, discounted cash flow analysis and option pricing models, etc. At the time of valuation, the Group adopts valuation techniques that are applicable in the current circumstances and are sufficiently supported by data and other information to select inputs that are consistent with the characteristics of the assets or liabilities that market participants would take into account in a transaction for the asset or liability, and maximises the use of relevant observable inputs. Unobservable inputs shall be used if the relevant observable inputs are not available or are not practicable.

(7) Equity instruments

An equity instrument is a contract that proves the residual interest of the assets after deducting all liabilities in the Group. Change to share equity is accounted when the Group issues (including refinance), repurchases, sells or cancels an equity instrument. Transaction expenses relating to such transaction are deducted from share equity. Relative change to fair value of the equity instrument is not recognised.

The Group's equity instruments distribute dividends (including "interests" generated by instruments classified as equity instruments) during the duration as profit distribution.

## 10. Impairment of financial assets

The Group's financial assets subject to recognition of impairment loss include financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income and lease receivables, which mainly include bills receivable, accounts receivable, other receivables, debt investments, other debt investments, and longterm receivables. In addition, for contract assets and financial guarantee contract, the Group shall make provisions for impairment and recognise the credit impairment loss in accordance with the accounting policies described in this section.

### (1) Recognition approach of impairment provisions

On the basis of expected credit losses, the Group makes provisions for impairment and recognises the credit impairment loss for the above items.

Credit loss refers to the difference between all contractual cash flows receivable from contracts and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, credit-impaired financial assets that purchased or originated by the Group shall be discounted at the financial assets' effective interest rate after credit adjustment.

On each balance sheet date, the Group assesses whether the credit risk on a financial asset has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the Group measures the loss allowance at an amount equal to lifetime ECLs; if the credit risk has not increased significantly since the initial recognition, the Group measures the loss allowance at an amount equal to 12-month ECLs. When assessing expected credit losses, the Group considers all reasonable and evidenced information, including forward-looking information.

### (2) Criteria for determining significant increase in credit risk since initial recognition

The credit risk of a financial asset will significantly increase when the probability of default of the financial asset within the expected lifetime determined on the balance sheet date is remarkably higher than that within the expected lifetime determined on the initial recognition date. Unless in special circumstances, the Group adopts the changes in default risks within the next 12 months as the reasonable estimate of the changes in default risks in the lifetime to determine whether the credit risk has increased significantly since initial recognition.

(3) Simplified approach options

For receivables and contract assets that do not contain a significant financing component, the loss allowance is measured at an amount equal to lifetime ECLs by the Group.

For receivables, contract assets and lease receivables that contain a significant financing component, the loss allowance is measured at an amount equal to lifetime ECLs by the Group.

For financial instruments with low credit risk on the balance sheet date, the Group assumes that its credit risk has not increased significantly since initial recognition and measures the loss allowance at an amount equal to 12-month ECLs.

(4) Methods for assessing expected credit risks on a collective basis

The Group adopts individual assessment on financial assets with substantially different credit risks, such as amounts due from related parties, receivables that are in dispute with counterparties or that involve litigation and arbitration, and receivables that has obvious indications showing the debtor may be unable to perform the obligation of repayment.

Other than the financial assets for which the credit risk is assessed separately, the Group classifies the financial assets into different categories based on common risk characteristics and performs collective assessment on each category. The basis on which the categories are determined is set forth as follows:

Item	Basis of determination
Category 1	The characteristics of credit risk for this category are the aging of receivables.
Category 2	This category includes receivables such as various types of deposits, advances, and quality deposits in daily operations.

**11. Receivables financing**

For notes receivable and accounts receivable classified as at FVOCI, the portion within one year (inclusive) from the date of acquisition is presented as receivables financing, while the portion over one year from the date of acquisition is presented as other debt investments. For the relevant accounting policies, please refer to note 4.9 “Financial instruments” and note 4.10 “Impairment of financial assets”.

## 12 Inventories

(1) Classifications of inventories

Inventories mainly include raw materials, work in progress, finished goods and goods in transit, etc.

(2) Costing of inventories

Inventories are recorded at actual costs on acquisition. Cost of inventories comprises purchase cost, processing cost and other costs. Cost for consuming and delivery of inventories is determined using the weighted average method.

(3) Basis for determining net realisable values of inventories and method for making provision for decline in the value of inventories

Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. The assessment on the net realisable value of inventories shall be made based on concrete evidence obtained, the purpose of holding inventories and the effect of events subsequent to the balance sheet date.

On balance sheet date, inventories are stated at the lower of cost and net realisable value. Provision for decline in the value of inventories is made when the costs of the inventories are over their net realisable value. Amount of provision for decline in the value of inventories is determined at the excess amount of the cost of an inventory item over its net realisable value.

When an inventory is impaired, if the factors that give rise to the provision previously do not exist anymore which results in a net realizable value of the inventory higher than its book value, the original provision should be reversed and recognised in current profit or loss.

(4) The Group adopts the perpetual inventory system.

### 13. Contract assets

In case that the contract consideration has not been paid by customers but the Group has performed its obligations in accordance with the contract, the Group credits the right to receive the consideration that is unconditional (only the passage of time is required) as contract assets in the balance sheet. Contract assets and contract liabilities under the same contract shall be presented on a net basis, while contract assets and contract liabilities under different contracts will not be offset.

For the determination and accounting treatment methods of the expected credit loss of contract assets, please see note 4.10 “Impairment of financial assets” and note 4.9 “Financial instruments”.

### 14. Long-term equity investments

Long-term equity investments in this section refer to those with which the Group exercises single or joint control over the invested entity, or has significant influence on its operation. Long-term equity investments falling out of this category are classified as financial assets at fair value through current profit or loss. In particular, if such long-term equity investments are non-transactional, the Group may choose to designate them as financial assets at fair value through other comprehensive income at initial recognition. For detailed accounting policy, please see Note 4.9 “Financial instruments”.

Joint control refers to the shared control over an invested entity by the relative arrangement, and agreement must be reached by the control sharing parties before any activity under the arrangement. Significant influence refers to the right the Group has to join in the decision-making process for financial and business operation policies of the invested entity, while the Group is unable to control or share joint control with other parties over such decision makings.

(1) Recognition of cost of investment

For long-term equity investment resulting from business combination under common control, the Group regards the share of the book value of owner's equity of the merged enterprise in the ultimate controlling party's consolidated financial statements as the initial cost of such investment on the date of combination. The difference between the initial cost of the long-term equity investment, cash paid, non-cash assets transferred and the book value of debts assumed shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is by issuing equity securities, on the date of merger, the Group regards the share of the book value of owner's equity of the merged enterprise in the ultimate controlling party's consolidated financial statements as the initial cost of the long-term equity investment. Total face value of the stocks issued is regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. For a business combination realised by more transactions of exchange and ultimately under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If not, the Group regards the share of the book value of owner's equity of the merged enterprise in the ultimate controlling party's consolidated financial statements as the initial cost of the long-term equity investment on the date of combination. Difference between the initial cost of the long-term equity investment and the sum of book value of the long-term equity investment before combination and the book value of new consideration paid for the share in the invested entity on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted. Equity investments acquired before the date of combination are not accounted for the period due to the fact that they are accounted by method of equity or are classified as financial assets at fair value through other comprehensive income.

For a long-term equity investment obtained through a business combination involving entities not under common control, the cost of business combination including the sum of assets paid by the acquirer, liabilities paid or undertaken and the fair value of equity securities issued is regarded as the initial cost of the long-term equity investment on the date of acquisition. For a business combination realised by more transactions of exchange and ultimately not under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as “a bundle of transactions” or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If not, the Group regards the sum of book value of the equity investment of the invested entity plus added cost of investment as the initial cost of the long-term equity investment accounted for using the cost method. For such book value of the equity investment that is accounted by method of equity, the relative other comprehensive income is not accounted for the period.

Transaction costs such as audit fee, legal service fee, consultancy fee and other intermediate expenses as well as other management fees incurred by the acquirer for the purpose of business combination are recognised in current profit or loss as incurred.

For long-term equity investments acquired other than through a business combination, the investment shall be initially recognised at cost, and the cost of investment varies between different ways of acquisition, which is recognised based on the actual amount of cash consideration paid by the Group, fair value of equity instruments issued by the Group, value of investment contracts or agreement made, fair value or original carrying amount of non-monetary assets transferred or the fair value of the long-term equity investments, etc. The costs directly attributable to the acquisition of long-term equity investments, taxes and other necessary expenses are also included in the cost of investment. For long-term equity investment with significant influences, or enjoys joint control over the invested entity without constituting control by adding investment, its cost of investment is the sum of fair value of original equity investment plus newly added cost of investment, according to the regulations in “Accounting Standards for Business Enterprises No. 22 – Recognition and measurement of financial instruments”.

(2) Methods for subsequent measurement and profit and loss recognition

The Group uses equity method for accounting of the long-term equity investment which enjoys joint control or significant influence over the invested entity, excepting co-undertakings. In addition, the financial statements on company level use cost method to account for long-term equity investments with which the Group has control over the investee.

(i) Long-term equity investment accounted for using cost method

Long-term equity investments accounted for using the cost method are measured at the initial investment costs, and the cost of such investment shall be adjusted when investments are added or discontinued. Apart from the consideration paid for the acquisition of investment or cash dividend declared but not yet paid or appropriated profits included in the consideration, investment income for the period shall include cash dividend declared by the investee or appropriated profit recognised.

(ii) Long-term equity investment accounted for using equity method

For long-term equity investment accounted for using equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's net identifiable assets at the time of investment, the initial investment cost of the long-term equity investment will not be adjusted; where the initial investment cost is less than the Group's share of the fair value of the investee's net identifiable assets at the time of investment, the difference is included in current profit or loss and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investment accounted for using equity method, return on investment and other comprehensive income are recognised separately according to the share in the invested entity's net profit or loss and other comprehensive income, with the book value adjusted for the long-term equity investment by the Group. Book value of the long-term equity investment will be deducted according to the announced profit to be distributed by the invested entity or the share of cash dividend. Changes to shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the invested entity cause book value of long-term equity investment to be adjusted, and taken into capital reserve. The share of net profit or loss of the invested entity is recognised after adjustment of its net profit on the basis of fair value of all recognisable assets of the invested entity on acquisition. If the accounting policies and accounting periods of the invested entity are different from that of the Group, the invested entity's financial statements shall be adjusted according to the Group's accounting policies and accounting periods. Meanwhile return on investment and other comprehensive income are recognised accordingly. For transactions between the Group and its associates and joint ventures not constituting business transactions by transferring or selling assets, relative unrealised profit or loss on internal transactions attributable to the Group pro rata will be offset, and investment profit and loss will be recognised on such basis. However, if such unrealised loss on internal transactions is classified as loss on decline in value of the asset transferred, then the relative loss is not to be offset. Furthermore, if such assets transfer are classified as business transactions, fair value of the asset transferred is recognised as initial cost of investment of the newly added long-term equity investment, and the difference between initial cost of investment and book value of the asset transferred is taken in full amount into current profit or loss, if the investing party obtains long-term equity investment but not control over the invested entity. The difference between consideration of assets sold to associate or joint venture and book value of the transaction is taken in full amount into current profit or loss, if the transaction is classified as a business transaction. If the assets purchased from associate and joint venture are classified as business transactions, then full amount of current profit or loss relating to the transaction is recognised, according to the regulations in "Accounting Standards for Business Enterprise No. 20 – Business Combination".

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the investee are reduced to zero. In addition, if the Group has an obligation to assume additional losses, expected liabilities shall be recognised according to the expected obligations and included in current investment losses. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(iii) Acquisition of minority interest

When preparing consolidated financial statements, the difference between the increased long-term equity investment due to acquisition of minority interest of a subsidiary and the share of net asset of the subsidiary since the acquisition date (or combination date) calculated under the new ownership ratio shall be adjusted to the capital surplus, when capital surplus is insufficient, the excess shall be adjusted to retained profits.

(iv) Disposal of long-term equity investment

When preparing consolidated financial statements, when the parent company disposes part of its long-term equity investment in its subsidiary without loss of control, the difference between the consideration received and the share of net assets of the subsidiary for the disposed portion of long-term equity investment shall be recognised in shareholders' equity; when the parent company disposes part of its long-term equity investment in its subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated in Note 4.5(2) "Preparation method of consolidated financial statements".

For disposal of long-term equity investment in other situations, the difference between the considerations received and the carrying amount of the disposed investment shall be recognised in current profit or loss.

For long-term equity investment accounted for using equity method, in case that the remaining equity after disposal is still accounted for using equity method, the other comprehensive income originally accounted into shareholders' equity will be accounted on the same basis as the invested entity while disposing relative asset or liability according to its proportion. Shareholders' equity recognised by the invested entity due to change to such item other than net profit or loss, other comprehensive income or profit distribution, will be accounted into current profit or loss proportionately.

For the remaining equity accounted with cost method after partial disposal, the same basis as the invested entity while disposing relative asset or liability will be used for the other comprehensive income recognised using equity method before the investment, or recognised by the regulations of financial instrument recognition and measurement, and such income will be transferred to current profit or loss proportionately. Changes to shareholders' equity in the net asset of invested entity recognized by equity method other than net profit or loss, other comprehensive income or profit distribution will be taken into current profit or loss.

For the remaining share equity after partial disposal which cause the Group to lose control over the invested entity, at the time of preparing individual financial statements, equity method will be used to account and adjust for the remaining share equity as if it were accounted by the same method upon acquisition, if such equity enables the Group to exercise joint control or significant influences over the invested entity. If not, the difference between fair value on the date of losing control and book value will be taken into current profit or loss, according to the regulations of financial instrument recognition and measurement. For the other comprehensive income recognised by equity method or by financial instruments recognition and measurement before the Group took control of the invested entity, the same basis as the invested entity while disposing relative asset or liability will be adopted for accounting when the Group lost control over the investee, and changes to shareholders' equity in the net asset of invested entity recognised by equity method, other than net profit or loss, other comprehensive income and profit distribution will be carried forward to current profit or loss when the Group lost control over the investee. Meanwhile, other comprehensive income and other shareholders' equity will be carried proportionately if the remaining share equity is accounted by equity method; and will be carried in full amount if the remaining share equity is accounted by financial instrument recognition and measurement.

The remaining share equity after partial disposal that cause the Group to lose joint control or significant influences over the invested entity is accounted by financial instrument recognition and measurement, and the difference between fair value of such equity on the date of losing control or significant influence and book value will be taken into the current profit or loss. Other comprehensive income recognized using equity method for the previous share equity investment will be accounted using the same basis as the invested entity while disposing the relative asset or liability when the equity method stops being adopted, and full amount of shareholders' equity recognised by changes to shareholders' equity other than net profit or loss, other comprehensive income or profit distribution of the invested entity will be taken into return on investment for the period when equity method stops being adopted.

When the Group loses control over the invested entity through more disposing transactions, if such transactions are classified as "a bundle of transactions", then they will be accounted as one transaction of control-losing asset disposal, difference between each amount of disposal and book value of relative long-term equity investment will be recognised as other comprehensive income first before the loss of control, and altogether will be taken into current profit or loss when the control is lost.

## 15. Fixed assets

### (1) Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognized when future economic benefits that are associated with the fixed asset probably will flow to the Group and its cost can be measured reliably. The fixed assets are initially measured at cost by taking into account the effect of factors such as the expected disposal expenses.

(2) Depreciation for different categories of fixed assets

Depreciation starts from the month following the fixed asset is available for its intended use and is made using the straight-line method in the lifetime. The expected useful life, estimated net residual value, and the annual depreciation rates of different categories of fixed asset are as following:

Category	Depreciation method	Depreciable life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20-40	3	2.43-4.85
Machinery and equipment	Straight-line method	8-20	3	4.85-12.13
Motor vehicles and others	Straight-line method	6-17	3	5.71-16.17

Estimated net residual value represents the proceeds from disposal less cost of disposal of a fixed asset the Group can receive, assuming that the expected useful life of such asset has expired and the asset is in the condition expected to exist when its useful life expires.

(3) Impairment test and provision for impairment of fixed assets

The impairment test and provision for impairment of fixed asset are detailed in Note 4.21 "Impairment of longterm assets".

(4) Other explanations

Subsequent expenditure relating to any fixed asset is taken as cost of such asset if there is probable economic interest inflow from it and its cost can be reliably measured. Meanwhile the recognition of the replaced portion's book value is terminated. Other subsequent expenditure is taken into current profit or loss when they are incurred.

Fixed asset ceases to be recognized when it's in the process of disposal, or when no economic interest is expected from its use or disposal. Income resulting from disposal, such as sale, transfer, discard or damage, is included in the current profit or loss after deducting the book value and relevant taxes and expenses.

The Group reviews life, estimated net residual value and method of depreciation of fixed asset at least once by end of the year, any changes in these issues are considered as changes to accounting estimates.

## 16. Construction in progress

Construction in progress is measured at actual cost, including various construction costs and other related expenses. Construction in progress is transferred to fixed assets when the assets are ready for their intended use.

The impairment test and provision for impairment of construction in progress are detailed in Note 4.21 "Impairment of long-term assets".

## 17. Borrowing costs

Borrowing costs include loan interests, discount or premium amortization, other supplementary costs and certain foreign exchange differences that occurred from the borrowings in foreign currencies. Borrowing costs incurred directly attributable to the acquisition and construction or production of a qualifying asset are capitalized when expenditures for the asset have been incurred, borrowing costs have been incurred and the activities relating to the acquisition and construction or production that are necessary to prepare the asset for its intended use have commenced. The capitalization ceases when the qualifying assets acquired, constructed or produced are ready for its intended use or at a state that is saleable. Other borrowing costs are recognized as expenses when incurred.

Borrowing costs arising from specific borrowings are capitalized after deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings. For general borrowings, the amount of borrowing costs eligible for capitalization is determined by applying the capitalization rate of general borrowings to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The capitalization rate is calculated based on the weighted average effective interest rate.

During the capitalization period, all exchange differences related to specific borrowings denominated in foreign currency are capitalized. Exchange differences related to general borrowings denominated in foreign currency are recognized in current profit or loss.

Qualifying assets represent fixed assets, investment properties, inventories and other assets that are required to be acquired, constructed or produced for a substantial period of time to get ready for their intended use or sale.

Capitalization of borrowing costs is suspended if the acquisition or construction or production of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition, construction or production is resumed.

#### **18. Right-of-use assets**

See Note 4.30 “Leases” for the determination and accounting treatment of the right-of-use assets.

#### **19. Intangible assets**

##### **(1) Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

Intangible assets are initially stated at cost. Outgoings related to intangible assets are recognized as cost of intangible assets if it is probable that future economic benefits attributable to the asset will flow to the Group and its cost can be measured reliably. Otherwise, the outgoings are expensed in current profit or loss as incurred.

Land use rights acquired are usually accounted for as intangible assets. Cost of self-developed and selfconstructed buildings and structures and the relevant land use rights are separately accounted for as fixed assets and intangible assets. If the buildings and structures are acquired, the consideration for acquisition shall be apportioned between land use rights and buildings. However, if it is difficult to apportion the consideration reasonably, both the land use rights and buildings will be accounted for as fixed assets.

Intangible assets with finite useful lives are amortized at their original cost less estimated net residual value and accumulated provision for impairment using the straight-line method over their useful lives since it is ready for use. Intangible assets with infinite useful life would not be amortized.

For an intangible asset with a finite useful life, the useful life and amortization method are reviewed at the end of each period, relevant adjustments will be regarded as a change in accounting estimates. In addition, intangible asset with an infinite useful life is reviewed. If there are objective evidence that the period of the economic benefit derived from the intangible asset is foreseeable, then the life of that intangible asset would be estimated and such asset would be amortized in accordance with the accounting policies in relation to intangible assets with finite useful life.

(2) Expenditures on research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase.

Expenditure on the research phase is recognized in current profit or loss in the period in which it is incurred.

Expenditure on the development phase is recognized as intangible assets only if all of the following conditions are satisfied. Expenditure on the development phase which cannot meet all of the following conditions is recognized in current profit or loss:

- (i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) The management intends to complete the intangible asset, and to use or sell it;
- (iii) It can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself. If the intangible asset is to be used internally, the usage of it should be demonstrated;
- (iv) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets; and
- (vi) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures on research and development which cannot be distinguished between the research phase and development phase are recognized in current profit or loss as incurred.

(3) Impairment test and provision for impairment of intangible assets

The impairment test and provision for impairment of intangible asset is detailed in Note IV. 21 "Impairment of long-term assets".

## 20. Long-term deferred expenses

Long term deferred expenses are expenditures that have incurred but should be recognized over more than one year in the current and subsequent periods. Long term deferred expenses are amortized on the straight-line basis over the expected benefit period, including:

- (1) Prepaid rental for operating lease of fixed assets, amortized evenly over the lease term of the leasing contract.
- (2) Expenditures paid for improvement of fixed assets under operating lease, amortized over the remaining lease term or the remaining useful life of the asset, whichever is shorter.
- (3) Decoration cost that is qualified to be capitalized in relation to fixed asset leased under finance lease, amortized over the period between two decorations, remaining lease term or remaining useful life of the fixed asset, whichever is shorter.

For long-term deferred expenses which will not benefit the subsequent periods, the amortized value of the long-term deferred expenses is transferred to current profit and loss.

## 21. Impairment of long-term assets

At balance sheet date, the Group will assess whether there are any indications of impairment on non-current and non-financial assets such as fixed assets, construction in progress, intangible asset with finite useful life, investment properties accounted for using cost model, long-term equity investments in subsidiaries, joint ventures and associates. If any indication that an asset may be impaired exists, the recoverable amount of the asset will be estimated and impairment test will be performed. Impairment test will be performed on goodwill, intangible asset with infinite useful life and intangible asset which are not yet ready for use each year, regardless of whether any indications for impairment exist.

If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Fair value of an asset is determined based on the transaction amount in arm's length transaction; when there are no transactions but an active market for the asset, the fair value is determined based on the bid price in the market; when there are no transactions and active market for the asset, the fair value is estimated based on the best information available. Costs to sell include legal fee, taxes, logistics charges and other expenses that incurred directly to bring the asset to saleable condition in relation to disposal of assets. Present value of the future cash flows expected to be derived from the asset is calculated by discounting the expected future cash flows from continuous use of the asset and disposal of the asset using an appropriate discount rate. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

When the impairment test on goodwill that is separately presented in the financial statements is performed, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

## 22. Contractual liabilities

Contractual liabilities refer to the obligations of the Group to transfer goods to customers for the consideration received or receivable from customers. If the customer has paid the contract consideration or the Group has obtained the unconditional collection right before the Group transfers the goods to the customer, the Group will recognise such amount received or receivable as contractual liabilities at the earlier of the actual payment and due payment of the customer. The contract assets and contractual liabilities under the same contract are presented on a net basis, and the contractual assets and contractual liabilities under different contracts are not offset.

## 23. Employee compensation

Employee compensation of the Group mainly comprises short-term employee compensation, post-employment benefits, termination benefits, and other long-term employee compensation, among other things:

Short-term employee compensation includes wage, bonus, allowances and subsidies, employee welfare, medical insurance premium, maternity insurance premium, work injury insurance premium, housing provident funds, labor union expenditures and employee education expenses, non-monetary welfare, etc. Short-term employee compensation incurred during the accounting period in which the employee renders services to the Group is recognized as liability and included in the profit or loss for the period or related asset costs. Non-monetary welfare is measured at fair value.

Post-employment benefits mainly comprise basic endowment insurance, unemployment insurance and annuity, while post-employment benefits program include defined contribution plan. In the event of defined contribution plan, the relevant contribution amount is included in the related asset costs or the profit or loss for the period during which the expenses are incurred.

The Group provides compensation for terminating the employment relationship with employees or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognizes a liability of employee compensation arising from compensation for termination benefits, with a corresponding charge to profit or loss for the current period, when the Group cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal or when the Group recognizes the costs related to the restructuring that involves the payment of termination benefits, whichever is earlier. However, termination benefits shall be recognized as other long-term employee compensation if the benefits are not expected to be settled within 12 months at the end of the annual reporting period.

Internal retirement plan adopts the same principle as the above mentioned compensation for the termination of employment relationship with the employee. The Group accounts for the wage and social insurance contributions to be paid incurred from the date on which the employee cease rendering services to the Group to the scheduled retirement date in profit or loss for the current period (termination benefits), when requirements for recognition of provisions are met.

Where other long-term employee benefit provided by the Group for its employees meets the conditions of the defined contribution plan, it shall be accounted for as a defined contribution plan, or otherwise as a defined benefit plan.

#### **24. Lease liabilities**

See Note IV. 30 “Leases” for the methods of recognition and accounting treatment of lease liabilities.

#### **25. Provisions**

Provision is made when there is an obligation in relation to contingent events and the following conditions are met: (1) the obligation is a current obligation borne by the Group; (2) it is probable that an outflow of economic benefits will be incurred from performing the obligation; (3) the amount of the obligation can be measured reliably.

At the balance sheet date, a provision is measured at the best estimate of the expenditures required to perform the related current obligation, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingent events.

If the expenditures required to settle the provision is expected to be wholly or partially compensated by a third party, the compensation amount, on a recoverable basis, is recognized as asset separately, and the compensation amount recognized shall not exceed the carrying amount of the provision.

## 26. Revenue

Revenue is the total inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognized when the customer obtains control of the relevant commodity (including services, the same below), and the contract between the Group and the customer meets the following conditions: the parties have approved the contract and have committed to performing their respective obligations; the contract identifies the rights and obligations of the parties relating to the goods transferred or the provision of services; the contract has clear payment terms associated with the transferred goods; the contract has commercial substance, which means that the fulfillment of the contract will result in changes in risk, time distribution or amount of the future cash flows of the Group; the consideration that the Group is entitled to for the transfer of goods to customers is likely to be recovered. Obtaining control of the relevant commodity means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom.

From the effective date of the contract, the Group identifies each individual performance obligation under the contract, and allocates the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the commodities promised for each individual performance obligation. When the transaction price is determined, the impact of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors are considered.

For each individual performance obligation in the contract, the Group recognizes the transaction price allocated to the individual performance obligation as revenue in accordance with the performance progress during the relevant performance period, if one of the following conditions is met: the customer obtains and consumes the economic benefits of the Group's performance as the Group performs the contract; the customer can control the commodities in progress in the course of the Group's performance; the commodities produced during the performance of the Group have irreplaceable uses and the Group has the right to receive payments for the portion of the performance that has been completed to date. In addition, the performance of the contract is determined by the input method or the output method according to the nature of the transferred goods. When the performance progress of the contract cannot be reasonably determined, if the costs incurred by the Group are expected to be compensated, the revenue will be recognized according to the amount of costs incurred until the performance progress of the contract can be reasonably determined.

If one of the above conditions is not met, the Group will recognize the transaction price which was allocated to the individual performance obligation as revenue when the customer obtains control of the relevant commodity. When determining whether the customer has obtained control of the commodity, the Group will consider the following indications: the Company has the current right to receive payment for the goods, which means that the customer has a current payment obligation for the goods; the Company has transferred the legal title of the item to the customer, which means that the customer has already owned the legal title of the item; the Company has transferred the goods in kind to the customer, which means the customer has possessed the goods in kind; the Company has transferred the main risks and rewards of ownership of the goods to the customer, which means the customer has obtained the main risks and rewards of ownership of the goods; the customer has accepted the goods; and other indications that the customer has obtained control of the goods.

Sales of enclosed busbar products: The revenue from sales of enclosed busbar products is recognized upon delivery and the completion of acceptance.

Hotel and catering industry: The operation revenue is recognized on the day of completing the provision of accommodation and catering services.

## 27. Contract costs

Where the Group expects to recover the incremental cost of the contract, such cost will be deemed as the contract acquisition cost and be recognized as an asset.

The costs incurred from performing a contract will be regarded as the contract performance costs and recognized as an asset in the event that such costs do not fall under the scope of other accounting standards other than the Accounting Standards for Business Enterprises No. 14 – Revenue (revised in 2017) but meet the following conditions: (i) such costs are directly related to a current or anticipated contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), costs that are explicitly chargeable to the customer and other costs that are incurred solely in connection with the contract; (ii) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future; and (iii) the costs are expected to be recovered.

Assets related to contract costs are amortized on the same basis as that for the recognition of revenue on commodities related to the asset, and are included in the current profit or loss.

The Company makes provision for impairment to the extent that the book value of an asset related to contract costs exceeds the amount of: (i) the remaining consideration that the Company expects to receive in exchange for the goods to which the asset relates; less (ii) estimated costs to be incurred in connection with the transfer of relevant goods. In the event that the difference between (1) and (2) becomes higher than the carrying value of such assets as a result of changes in the factors of impairment for previous periods, previous provisions for asset impairment losses should be written back and included in profit or loss for the period, provided that the carrying asset value following the write-back shall not exceed the carrying value such assets would have on the date of write-back where there no provision for impairment.

## 28. Government grants

Government grants are monetary or non-monetary assets transferred from the government to the Group at nil consideration, except for the investment made to the Group by the government as an owner. Government grant can be classified as asset-related government grant and revenue-related government grant. The Group considers any government grant that funds purchase or construction of fixed assets, or in other means resulting in fixed assets as asset-related government grant; other government grants are considered revenue-related. If beneficiary of grant is not specified, the following steps are taken to decide whether the grant is asset-related or revenue-related: (1) For those that specific project is specified, a budget allocation is made according to the amounts and the proportions of the expenditures to form assets and expenditure that charged to expense, and such proportions are reviewed at least once on each balance sheet date, and is subject to change if necessary; (2) For those specified for general purpose without any project specified, they are considered as revenue-related government grant. If a government grant is a monetary asset, it is measured at the amount received or receivable. If a government grant is a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

The government grants of the Group are normally recognized and measured at the moment they are actually received, but are measured at the amount receivable when there is conclusive evidence at the end of the accounting period that the Group will meet related requirements of the financial support policies and will be able to receive the grants. Government grants that are measured according to the amount receivable shall also comply with the following conditions: (1) grants receivable have been confirmed with competent authorities in written form or can be reasonably measured according to the related requirements under financial fund management measures officially released without estimated material uncertainties of its amount; (2) the grants are based on the local financial projects and fund management policies officially released and voluntarily disclosed by local financial authorities in accordance with the provisions under Regulations on Disclosing Government Information, where such policies should be open to any company satisfying the conditions required rather than certain companies; (3) the date of payment shall be specified in the related documents and the payment thereof is financed by the corresponding budget as a guarantee to ensure such grants will be paid within the prescribed period with a reasonable assurance; (4) other conditions (if any) shall be satisfied depending on the specific circumstances of the Group and the matter to be subsidized.

Asset-related government grant is recognized as deferred income and is included evenly in profit or loss on a reasonable and systematic basis over the useful lives of related assets. For government grants related to revenue, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant shall be recognized as deferred income, and be included in profit or loss for the period in which the related costs are recognized; where the grant is a compensation for related expenses or loss already incurred, the grant shall be recognized immediately in profit or loss for the period.

Any government grants that relate to both asset and revenue at the same time should be treated separately depending on the different parts. If it is difficult to separate, such government grant as a whole will be classified as revenue-related.

The government grants related to the daily activities of the Group are included in other income or offset the related costs according to the essence of the economic business. The government grants unrelated to the daily activities are included in the non-operating income or expenses.

For the repayment of government grant previously recognized, if there is any related deferred income, the repayment shall offset against the carrying amount of the deferred income, and the excess shall be recognized in profit or loss for the period. If there is no deferred income, the repayment shall be directly recognized in profit or loss for the period.

## **29. Deferred income tax assets/deferred income tax liabilities**

### (1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current or prior periods are measured at the expected amount of the income tax to be paid (or recovered) under applicable tax laws. The taxable incomes used for calculation of current income tax expenses are determined after adjusting the accounting profits before tax for the current reporting period in accordance with relevant requirements of tax laws.

(2) Deferred income tax assets and deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognized for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognizes the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Group is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets are not recognized for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognizes the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, except when both of the following conditions are satisfied: it is not probable that the temporary difference will be reversed in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

In respect of deductible losses and tax credits that can be carried forward to subsequent periods, deferred tax assets are only recognized to the extent that it is probable that taxable profit will be available in the future against which the deductible losses and tax credits can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the applicable tax laws.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is written down when it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. The amount of such write-down shall be reversed when it is probable that sufficient taxable profits will be available.

(3) Income tax expense

Income tax expense comprises current income tax expense and deferred income tax expense.

Apart from current income tax and deferred income tax related to transactions and events that are directly recognized in other comprehensive income or shareholders' equity, which are recognized in other comprehensive income or shareholders' equity, and deferred income tax arising from a business combination which adjusts the carrying amount of goodwill, all other current income tax and deferred income tax expense or income are recognized in profit or loss for the period.

(4) Offset of income tax

Current income tax assets and current income tax liabilities are offset and presented on a net basis if the Group has a legally enforceable right to set them off on a net basis and intends either to settle on a net basis or to realize assets, settle the liabilities simultaneously.

When the Group has a legally enforceable right to settle current income tax assets and liabilities on a net basis, and deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

### 30. Leases

Lease is a contract under which the Group has the right to transfer or obtain the right to control the use of an identified asset or several identified assets in exchange for payment of consideration or in order to pay the consideration within a certain period of time. At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

(1) The Group as a lessee

The Group's leased assets mainly include public space, dining rooms, meeting rooms, guest rooms, etc. in hotels.

(i) Initial measurement

At the commencement date, the Group shall recognize its right to use the leased asset over the lease term as the right-of-use asset, and shall recognize the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and leases for which the underlying asset is of low value. The lease payments shall be discounted using the interest rate which is implicit in the lease. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate as the discount rate.

(ii) Subsequent measurement

The Group subsequently makes depreciation provisions for the right-of-use assets with reference to the depreciation requirements of the Accounting Standards for Business Enterprises No. 4 – Fixed Assets (see Note IV. 15 “Fixed assets”). If the Group can reasonably determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets will be depreciated over their useful life. If there is no reasonable certainty that the Group can determine that a lease will transfer ownership of the asset to the Group by the end of the lease term, related assets are depreciated over the shorter of the lease term and useful life.

As for the lease liabilities, the Group calculates their interest expenses of each period during the lease term according to a fixed periodic interest rate and includes them in current profit or loss or relevant asset costs when incurred. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss or the cost of related asset as incurred.

After the commencement date of the lease term, when the actual fixed payment, the estimated amount due for the residual value of the guarantee, the index or ratio used to determine the lease payment, the assessment result or the actual exercise of call option, renewal option or termination option changes, the Group re-measures the lease liability based on the present value of the changed lease payment, and adjusts the carrying amount of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset has been written down to zero, but further write-down is still required for the lease liability, the Group recognises the remaining amount in the current profit and loss.

(iii) Short-term leases and leases of low-value assets

For short-term leases (of which the lease term starting from the commencement date of lease is 12 months or less) and leases of low-value assets, the Group simplifies their treatment and does not recognize the right-of-use assets and lease liabilities, but includes the lease payments in asset cost or current profit and loss on straight-line basis or other systematic and reasonable basis during each period of the lease term.

(2) The Group as a leaser

The Group classifies leases into finance lease and operating lease based on the substance of transactions at the commencement date of lease. Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Operating leases are the leases other than finance leases.

(i) Operating leases

The Group recognizes lease income received under operating leases as rental income in each period during the lease term using the straight-line method. Variable lease payments not included in lease income received in relation to operating lease is included in the current profit or loss when incurred.

(ii) Finance leases

At the commencement date of lease, the Group recognizes finance lease receivables and derecognizes the underlying assets. The finance lease receivables are initially measured at the amount of net investment under the lease (the sum of the unguaranteed residual value and the present value of the lease income (which has not been received as at the commencement date of lease) discounted at the interest rate which is implicit in the lease) and calculated the lease income during the lease term confirmed at the fixed periodic rate. The variable lease payments which are received by the Group but are not included in measurement on net investment under leases are recorded in the current profit or loss when actually incurred.

### 31. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

The Group made no changes in accounting policies during the year.

(2) Changes in accounting estimates

The Group made no changes in accounting estimates during the year.

### 32. Major accounting judgment and estimate

During the process of application of accounting policies, the Group needs to make judgments, estimates and assumptions on the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of operation activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. These judgments, estimates and assumptions may affect value of the financial statements in revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the balance sheet date. However, the result derived from those uncertainties in estimates may differ from the current estimates made by the Group's management, thus leading to significant adjustments to the carrying amounts of the assets or liabilities affected in the future.

The Group has reviewed the judgments, estimates and assumptions regularly on the basis of going concern. Where the changes in accounting estimates only affect the period when changes occur, they will be recognised within the same period. Where the changes in accounting estimates affect both current period and future period, they will be recognized within the period of change and future period.

On the balance sheet date, the followings are the significant areas where the Group needs to make judgments, estimates and assumptions of the value of items in the financial statements:

(1) Recognition of revenue

As stated in Note IV. 26 "Revenue", the Group makes the following major accounting judgments and estimates in terms of recognition of revenue: identifying customer contracts; estimating the recoverability of the considerations that the Group is entitled to by transferring goods to customers; identifying the performance obligation in the contract; estimating the variable consideration in the contract and cumulative revenue recognised where it is highly probable that a significant reversal therein will not occur when the relevant uncertainty is resolved; assessing whether there is a significant financing component in the contract; estimating the individual selling price of the individual performance obligation in the contract; determining whether the performance obligation is performed in a certain period of time or at a certain point in time; the determination of the progress of the contract, etc.

The Group mainly relies on past experience and work to make judgments. It is expected that the changes in major judgments and estimates may have an impact on operating revenue, operating cost, and profit and loss for the period in which the change was made or later, and may have a significant impact.

(2) Leases

(i) Identification of leases

When identifying whether a contract is or contains a lease, the Group needs to assess whether an identified asset exists and whether its customer controls the right-of-use of such asset in a certain period. In the assessment, it is necessary to consider the nature of the asset, substantive substitution right and whether the customer is entitled to almost all the economic interests generated from use of such asset and can manage the use of such asset in the period.

(ii) Classification of leases

The Group classifies leases into operating leases and finance leases as a lessor. When making the classification, the management needs to analyse and judge whether all the risks and rewards relating to the ownership of leased out assets have been substantially transferred to the lessee.

(iii) Lease liabilities

As a lessee, the Group measures the lease liabilities initially at the present value of the outstanding lease payments as at the lease commencement date. When measuring the present value of the lease payments, the Group estimates the discount rate applied and the term of the lease contract with the option to renew or terminate the lease. When assessing the lease term, the Group takes into account of all the facts and circumstance relating to the economic benefits of its exercise of options, including the facts and expected changes of situation from the lease commencement date until the option exercise date. Different judgments and estimates may affect the recognition of lease liabilities and right-of-use assets and the profit or less in the subsequent periods.

(3) Impairment of financial assets

The Group uses the expected credit loss model to assess the impairment of financial assets. The application of the expected credit loss model requires major judgments and estimates, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimates, the Group infers the expected changes in the debtor's credit risk based on the historical data in combination with economic policies, macroeconomic indicators, industry risks, external market environment, technical environment, and changes of the customers.

(4) Fair value of financial instruments

The Company recognises the fair value of financial instruments without active trading market through various valuation methods. These valuation methods include discounted cash flow model analysis, etc. The Company needs to evaluate the future cash flow, credit risks, market volatility and relevance, etc. and choose the proper discount rate. These relevant hypotheses are uncertain, and the changes will inflict impact on the fair value of financial instruments.

Where an equity instrument investment or contract has a public offer, the Company does not use the cost as the best estimate of its fair value.

(5) Provision for impairment of long-term assets

The Group assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. For an intangible asset that has indefinite useful life, impairment test is made in addition to the annual impairment test if there is any indication of impairment. For non-current assets other than financial assets, impairment test is made when there is any indication that its carrying amount cannot be recovered.

An asset or asset group is impaired when its carrying amount is higher than the recoverable amount (i.e., the higher of its fair value less costs to sell and the present value of the future cash flows expected to be derived from it).

The fair value net of disposal cost is determined by reference of the price of similar asset under a sale agreement in an arm's length transaction or an observable market price less the incremental cost directly attributable to the disposal of the asset.

When estimating the present value of future cash flow, significant judgments are made in connection with the production, selling price and relevant operating expenses of such asset (or asset groups), and discount rate used to calculate present value. All available materials that are considered to be relevant shall be used in the estimation of recoverable value. These materials include estimations of production, selling price and operating expenses based on reasonable and supportable assumptions.

The Group makes an impairment test for goodwill at least at each year-end. This requires an estimation of present value of future cash flow of the asset groups or sets of asset groups where goodwill has been allocated. The Group shall make estimation on the future cash flow derived from asset groups or sets of asset groups and choose an appropriate discount rate to calculate the present value of future cash flow.

## V. Tax

### 1. Major types of tax and tax rates

Type of tax	Tax base and tax rate
Value-added tax (VAT)	13% and 6% on taxable revenue after offsetting deductible input VAT
City maintenance and construction tax	7% on amount of turnover tax paid
Education surcharge	3% on amount of turnover tax paid
Local education surcharge	2% on amount of turnover tax paid
Enterprise income tax	25%/15% on taxable income

On 15 September 2020, Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company, was qualified as New and High Technology Enterprise, which is valid for three years. The income tax rate for the year is 15%.

## 2. Other instructions

- (1) The profit tax rate for Northeast Electric Development (Hong Kong) Co., Ltd., a wholly owned subsidiary of the Company registered in HKSAR of PRC is 16.5%.
- (2) Gaocai Technology Co., Ltd. is a wholly-owned subsidiary registered in BVI and no enterprise income tax is imposed on it.

## VI. Notes to Items in Consolidated Financial Statements

Unless otherwise specified, “beginning of year” refers to 31 December 2021, “end of year” refers to 30 June 2022, “this year” refers to January 1, 2022 to June 30, 2022, “last year” refers to January 1, 2021 to June 30, 2021 in the following notes (including Notes to Major Items in the Financial Statements of the Company).

### 1. Cash and equivalents

*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
Cash on hand	107,579.85	200,544.25
Bank deposits	12,916,100.18	15,435,733.31
Other cash and equivalents	3,521,386.98	3,009,138.27
Total	16,545,067.01	18,645,415.83
Including: Total overseas deposits	411,397.79	394,094.46
The total amount of funds that have restrictions on use due to mortgages, pledges, or freezes		

**Other instructions**

Notes:

- (1) Of other cash and equivalents as at the end of the year, RMB3,521,386.98 is the deposits for performance guarantee.
- (2) Overseas deposits represent deposits with banks in Hong Kong, which are not restricted.

**2. Bill receivable**

- (1) Disclosure by aging

*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
Bank acceptance bill	666,000.00	
Commercial Acceptance Notes		
Total	666,000.00	



Unit: RMB

Type	Balance at end of year				Balance at beginning of year				
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable of provision for bad debt on an individual basis									
Including:									
Accounts receivable of provision for bad debt on a collective basis	666,000.00	100.00%	0.00	0.00%					666,000.00
Including:									
Total	666,000.00	100.00%	0.00	0.00%					666,000.00

### 3. Accounts receivable

#### (1) Accounts Receivable Classification Disclosure

Unit: RMB

Type	Balance at end of year				Balance at beginning of year				
	Carrying amount		Provision for bad debt		Carrying amount		Provision for bad debt		
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable of provision for bad debt on an individual basis	4,026,110.34	6.38%	1,268,772.55	31.51%	4,026,110.34	6.48%	1,268,772.55	31.51%	2,757,337.79
Including:									
Accounts receivable of provision for bad debt on a collective basis	59,106,032.39	93.62%	5,486,476.77	9.28%	58,065,446.43	93.52%	5,486,476.77	9.45%	52,578,969.66
Including:									
Accounts receivable of provision for bad debt based on aging	59,106,032.39	93.62%	5,486,476.77	9.28%	58,065,446.43	93.52%	5,486,476.77	9.45%	52,578,969.66
Total	63,132,142.73	100.00%	6,755,249.32	10.70%	62,091,556.77	100.00%	6,755,249.32	10.88%	55,336,307.45

Accounts receivable of provision for bad debt on an individual basis:

Unit: RMB

Name of company	Balance at end of year			
	Book balance	Provision for bad debt	Percentage of provision (%)	Reasons for provision
Tianjin Airlines Co., Ltd.	74,704.00	37,292.50	49.92%	Estimated loss ratio
West Air Co., Ltd.	13,887.00	3,774.35	27.18%	Estimated loss ratio
Beijing Capital Airlines Co., Ltd.	1,045,005.30	500,362.27	47.88%	Estimated loss ratio
Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd.	1,596,622.20	347,371.61	21.76%	Estimated loss ratio
Jilin Lanpeng Catering Management Co., Ltd.	1,295,891.84	379,971.82	29.32%	Estimated loss ratio
Total	4,026,110.34	1,268,772.55	--	--

Accounts receivable of provision for bad debts based on aging combination

Unit: RMB

Item	Balance at end of year		
	Carrying amount	Provision for bad debt	Percentage of provision (%)
Within 1 year (inclusive)	40,520,715.95	1,708,343.13	4.22%
1 – 2 years (inclusive)	8,966,909.92	750,216.96	8.37%
2 – 3 years (inclusive)	6,954,116.81	446,844.83	6.43%
3 – 4 years (inclusive)	1,143,100.50	246,653.89	21.58%
Over 4 years	2,334,429.79	2,334,417.96	100.00%
Total	59,919,272.97	5,486,476.77	--

Disclosure by aging

Unit: RMB

Aging	Balance at end of year
Within 1 year (inclusive)	43,011,861.30
1 – 2 years (inclusive)	10,501,875.91
2 – 3 years (inclusive)	6,954,116.81
Over 3 years	3,477,530.29
3 – 4 years (inclusive)	1,143,100.50
Over 4 years	2,334,429.79
Total	63,945,384.31

(2) Provisions for bad debts accrued, recovered or reversed in the current period

Provision for bad debts in the current period:

Unit: RMB

Type	Balance at beginning of year	Changes during the year				Balance at end of year
		Provision	Retrieval or reversal	Write-off	Other changes	
Accounts receivable of provision for bad debt on an individual basis	1,268,772.55					1,268,772.55
Accounts receivable of provision for bad debt on a collective basis	5,486,476.77					5,486,476.77
Total	6,755,249.32					6,755,249.32

(3) Top five accounts receivable by debtor at the end of the year

The sum of the top five accounts receivable with year-end balance by debtor amounted to RMB14,258,478.19, accounting for 22.84% of the total year-end balance of accounts receivable, and the year-end balance of provision for bad debt accordingly amounted to RMB229,435.01.

#### 4. Prepayments

(1) Prepayments by aging

*Unit: RMB*

Aging	Balance at end of year		Balance at beginning of year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	3,051,295.29	95.03%	2,403,746.59	93.77%
1-2 years	4,022.00	0.13%	152,274.80	5.94%
2-3 years	148,252.80	4.62%	0.00	0.00%
Over 3 years	7,334.00	0.23%	7,334.00	0.29%
Total	3,210,904.09	--	2,563,355.39	--

(2) Top five prepayments by supplier based on balance at the end of the year

The sum of the top five prepayments by supplier based on balance at the end of the year amounted to RMB1,522,804.68, accounting for 65.08% of the total balance of prepayments at the end of the year.

5. Other receivables

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Interest receivable		
Dividends receivable		
Other receivables	28,178,311.86	27,961,945.29
Total	28,178,311.86	27,961,945.29

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(1) Other receivables

(1) Classification by nature of the amount

Unit: RMB

Nature of the amount	Amount at end of year	Amount at beginning of year
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00
Asset disposal proceeds	2,500,000.00	7,540,000.00
Rental deposit	43,000.00	1,117,047.84
Current account	84,250,249.99	77,539,844.58
Deposits for bidding	621,009.00	1,001,000.00
Total	163,504,258.99	163,287,892.42

(2) Provision for bad debt

Unit: RMB

Provisions for bad debt	Phase I	Phase II	Phase III	Total
	Expected credit loss over the next 12 months	Lifetime expected credit losses (not credit impaired loans)	Lifetime expected credit losses (credit-impaired loans)	
Balance at beginning of year	724,351.11		134,601,596.02	135,325,947.13
Balance at beginning of the year	—	—	—	—
- Transferred to Phase II				
- Transferred to Phase III				
- Reversed to Phase II				
- Reversed to Phase I				
Provision for the year				
Reversal for the year				
Written-off for the year				
Charge off for the year				
Other changes				
Balance at end of year	724,351.11		134,601,596.02	135,325,947.13

Unit: RMB

Aging	Balance at end of year
Within 1 year	7,908,452.43
1 – 2 years	2,787,895.06
2 – 3 years	70,902,005.10
Over 3 years	81,905,906.40
3 – 4 years	1,895,138.57
Over 4 years	80,010,767.83
Total	163,504,258.99

- (3) Provisions for bad debts accrued, recovered or reversed in the current period  
 Provision for bad debts in the current period:

Unit: RMB

Type	Balance at beginning of year	Changes during the year				Balance at end of year
		Provision	Retrieval or reversal	Write-off	Other changes	
Other receivables	135,325,947.13					135,325,947.13
Total	135,325,947.13					135,325,947.13

(4) Top five other receivables by debtor at the end of the year

Unit: RMB

Name of company	Nature of accounts	Balance at end of year	Aging	Percentage in total balance of other receivables at end of year (%)	Balance of provisions for bad debt at end of year
Benxi Iron & Steel (Group) Co., Ltd. (Note 1)	Current account (with litigation)	76,090,000.00	Over 4 years	46.54%	76,090,000.00
HNA Group Finance Co., Ltd. (Note 2)	Current account	71,404,102.96	Within 2 years	43.67%	53,500,849.24
Haizhou House Expropriation Office of Fuxin	Asset disposal proceeds	2,500,000.00	1 to 2 years	1.53%	
Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd.	Rental deposit	1,117,047.84	Within 3 years	0.68%	1,076,561.84
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Current account	849,181.34	Within 1 years	0.52%	42,459.07
Total	--	151,960,332.14	--	92.94%	130,709,870.15

(5) Other instructions  
Note 1:

The principal owed from Benxi Iron & Steel (Group) Co., Ltd. (hereinafter referred to as "Benxi Steel") of RMB76,090,000 is included in other receivables, which occurred in May and September 2005, by Liaoning Trust & Investment Co., Ltd. (hereinafter referred to as "Liao Trust") repaying principals of RMB74,424,671.45 deposited with them by the Company with their receivables from Benxi Steel of RMB76,090,000 by the approval from related governments in Liaoning Province. The Company has taken receivables from Benxi Steel into other receivables, and surplus to the original deposit has been taken into provision for bad debt. On 16 December 2005, Liaoning High People's Court made final ruling (2005) Liao Min Er Zhong Zi No. 220, that Benxi Steel had owed the Company RMB15,900,000 and related interest. The Company had applied for enforcement. As a result, Shenyang Municipal Intermediate People's Court established the case and delivered Enforcement Notice to Benxi Steel on 10 March 2006. On 30 March 2006, the Shenyang Municipal Intermediate People's Court made first ruling concerning the remaining principals by Rulings (2005) Shen Zhong Min Si He Chu Zi No. 21, 22 and 23, that Benxi Steel should repay the Company principal of RMB60,190,000 and related interest. On 30 April 2006, Benxi Steel appealed to Liaoning High People's Court. On 14 May 2008, Liaoning High People's Court ordered retry of the case to Shenyang Municipal Intermediate People's Court by Rulings (2006) Liao Min Er Zhong Zi No. 214, 215, 216, repealing Rulings (2005) Shen Zhong Min Si He Chu Zi No. 21, 23, 22 by the latter People's Court. On 9 June 2009, Shenyang Municipal Intermediate People's Court refuted the Company's case by rulings (2008) Shen Zhong Min Si Chu Zi No. 143, 144 and 145, and the Company appealed to Liaoning High People's Court. On 26 October and 29 October 2009, the Liaoning High People's Court made final rulings (2009) Liao Min Er Zhong Zi No. 182, 183 and 184, sustaining previous rulings. The Company may appeal for retrial by providing evidence and facts if it still holds objections. The Company objected the ruling and appealed for retrial. The Supreme People's Court made Civil Rulings (2010) Min Shen Zi No. 1144, 1145 and 1146 on 13 December 2010, overruling retrial appeal of the Company. Since other receivables are long outstanding and the chance of recovery is remote, the Company has made a provision for bad debt in full for such other receivables.

Note 2:

The deposit of HNA Group Finance Co., Ltd. was RMB71,404,102.96. Because it was applied for bankruptcy reorganization, according to the Plan for the Substantial Merger and Reorganization of 321 Companies including HNA Group Co., Ltd., the Special Statement on the Evaluation and Analysis of the Solvency of Ordinary Creditor's Rights to be Repaid with Trust shares Based on Underlying Assets issued by China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) to 321 restructured enterprises including HNA Group and other information, 25% of the expected repayment of the trust shares is reversed.

## 6. Inventories

### (1) Classification of inventories

Unit: RMB

Item	Balance at end of year			Balance at beginning of year		
	Carrying amount	Allowance for impairment of inventories	Book value	Carrying amount	Allowance for impairment of inventories	Book value
Raw material	12,356,464.80		12,356,464.80	7,142,808.48		7,142,808.48
Work in progress	475,740.94		475,740.94	415,551.13		415,551.13
Finished goods	5,714,614.27	18,195.79	5,696,418.48	7,255,780.23	18,195.79	7,237,584.44
Reusable materials						
Consumable biological assets						
Contract performance costs						
Release products						
Total	18,546,820.01	18,195.79	18,528,624.22	14,814,139.84	18,195.79	14,795,944.05

(2) Allowance for impairment of inventories

Unit: RMB

Item	Balance at beginning of year	Increment		Decrement		Balance at end of year
		Provision	Others	Write-off	Others	
Raw material						
Work in progress						
Finished goods	18,195.79					18,195.79
Reusable materials						
Consumable biological assets						
Contract performance costs						
合计	18,195.79					18,195.79

7. Other current assets

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Prepaid and deductible input VAT	1,618,264.18	1,367,430.85
Total	1,618,264.18	1,367,430.85



## 8. Long-term equity investments

Unit: RMB

Investee	Balance at beginning of year	Increase/decrease during the year							Balance at end of year	Balance of provision for impairment at end of year	
		Increase in investment	Decrease in investment	Profit or loss for investment under equity method	Adjustment to OCI	Other changes to equity	Cash dividend or profit declared	Provision for impairment			Others
I. Joint ventures											
Subtotal											
II. Associates											
Chongqing HNA Hotel Investment Co., Ltd. (Note 1)	0.00										0.00
Great Power Technology Limited (Note 2)	0.00										56,603,237.37
Subtotal	0.00										56,603,237.37
Total	0.00										56,603,237.37

### Other instructions

Note 1: Chongqing HNA Hotel Investment Co., Ltd. has entered the bankruptcy reorganization procedure since February 10, 2021, and has been included in the scope of substantial reorganization of 321 companies including HNA Group. As of the disclosure date of this report, the mortgage of relevant assets has not been released. According to the reorganization plan, the mortgagee has the priority of repayment, and the amount of mortgage debt is greater than the market value of assets.

Note 2: Great Power Technology Limited. is a non-listed company established in the British Virgin Islands. Beijing Haihongyuan Investment Management Co., Ltd. failed to effectively integrate the organization after acquiring the company. There are major uncertainties in the company's future continuous operation. The Group has full provision for impairment of the long-term equity investment of Great Power Technology Limited.

## 9. Other equity instrument investment

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	0.00	0.00
HNA Tianjin Center Development Co., Ltd.	0.00	0.00
Total	0.00	0.00

Itemized disclosure of non-trading equity instrument investments in the current period

Unit: RMB

Item	Dividend recognized during the year	Cumulative gains	Cumulative losses	Amount of OCI transferred to retained earnings	Reason for designation at fair value through OCI	Reason for OCI transferred to retained earnings
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	-	-	73,048,566.83	-	-	-
HNA Tianjin Center Development Co., Ltd. (Note)	-	-	201,480,405.00	-	-	-
Total	-	-	274,528,971.83	-	-	-

Other instructions

Note: HNA Tianjin Center Development Co., Ltd. has entered the bankruptcy reorganization procedure since February 10, 2021, and has been included in the scope of substantial reorganization of 321 companies including HNA Group. As of the disclosure date of this report, the mortgage of relevant assets has not been released. According to the reorganization plan, the mortgagee has the priority of repayment, and the amount of mortgage debt is greater than the market value of assets.

**10. Fixed assets**
*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
Fixed assets	40,522,573.88	42,179,538.52
Disposal of fixed assets		
Total	40,522,573.88	42,179,538.52

**(1) Fixed assets**
*Unit: RMB*

Item	Buildings and structures	Machinery & equipment	Motor vehicles & others	Total
I. Carrying amount				
1. Balance at beginning of year	39,539,732.27	16,657,245.41	4,567,629.90	60,764,607.58
2. Increment				
(1) Purchase				
(2) Transferred from construction in progress				
(3) Business combination increase				
3. Decrement		23,520.00	68,737.97	92,257.97
(1) Disposal or write-off		23,520.00	68,737.97	92,257.97
4. Balance at end of year	39,539,732.27	16,633,725.41	4,498,891.93	60,672,349.61

Item	Buildings and structures	Machinery & equipment	Motor vehicles & others	Total
II. Accumulated depreciation				
1. Balance at beginning of year	5,181,500.71	9,294,645.58	3,476,360.37	17,952,506.66
2. Increment	393,390.05	394,194.53	144,559.69	932,144.27
(1) Provision	393,390.05	394,194.53	144,559.69	932,144.27
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of year	5,574,890.76	9,688,840.11	3,620,920.06	18,884,650.93
III. Provision for impairment				
1. Balance at beginning of year		359,687.12	272,875.28	632,562.40
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of year	359,687.12	272,875.28	632,562.40	1,265,124.80
IV. Book balance				
1. Book balance at end of year	33,605,154.39	6,672,010.02	245,409.47	40,522,573.88
2. Book balance at beginning of year	34,358,231.56	7,002,912.71	818,394.25	42,179,538.52

**11. Right-of-use assets**
*Unit: RMB*

<b>Item</b>	<b>Buildings and structures</b>	<b>Total</b>
I. Carrying amount		
1. Balance at beginning of year	43,176,757.74	43,176,757.74
2. Increment		
3. Decrement	5,158,250.39	5,158,250.39
(1) Early termination of contract	5,158,250.39	5,158,250.39
4. Balance at end of year	38,018,507.35	38,018,507.35
II. Accumulated depreciation		
1. Balance at beginning of year	13,785,087.56	13,785,087.56
2. Increment	9,144,942.11	9,144,942.11
(1) Provision	9,144,942.11	9,144,942.11
3. Decrement		
(1) Dispose		
4. Balance at end of year	22,930,029.67	22,930,029.67

Item	Buildings and structures	Total
III. Provision for impairment		
1. Balance at beginning of year	9,628,000.00	9,628,000.00
2. Increment		
(1) Provision		
3. Decrement		
(1) Dispose		
4. Balance at end of year	9,628,000.00	9,628,000.00
IV. Book balance		
1. Book balance at end of year	5,460,477.68	5,460,477.68
2. Book balance at beginning of year	19,763,670.18	19,763,670.18

## 12. Intangible assets

### (1) Status of Intangible Assets

Unit: RMB

Item	Land use rights	Patent	Unpatented technology	Software	Total
I. Carrying amount	13,200,304.00			207,000.00	13,407,304.00
1. Balance at beginning of year					
2. Increment					
(1) Purchase					
(2) Internal R&D					
(3) Business combination increase					
3. Decrement					
(1) Disposal					
4. Balance at end of year	13,200,304.00			207,000.00	13,407,304.00
II. Accumulated amortization					
1. Balance at beginning of year	1,386,032.13			207,000.00	1,593,032.13
2. Increment	132,003.06				132,003.06
(1) Provision	132,003.06				132,003.06
3. Decrement					
(1) Disposal					
4. Balance at end of year	1,518,035.19			207,000.00	1,725,035.19

Item	Land use rights	Patent	Unpatented technology	Software	Total
III. Provision for impairment					
1. Balance at beginning of year					
2. Increment					
(1) Provision					
3. Decrement					
(1) Disposal					
4. Balance at end of year					
IV. Book balance					
1. Book balance at end of year	11,682,268.81			0.00	11,682,268.81
2. Book balance at beginning of year	11,814,271.87			0.00	11,814,271.87

### 13. Goodwill

(1) Carrying amount of goodwill

*Unit: RMB*

Investee	Balance at beginning of year	Increment		Decrement		Balance at end of year
		From business combination		Disposal		
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	72,097.15					72,097.15
Total	72,097.15					72,097.15

### 14. Deferred income tax assets

(1) Details of unrecognized deferred tax assets

*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
Deductible temporary difference	660,824,794.28	703,519,743.19
Deductible loss	85,662,054.69	58,370,710.19
Total	746,486,848.97	761,890,453.38

## 15. Accounts payable

(1) Details of accounts payable

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Within 1 year	31,012,064.21	34,409,151.92
1 – 2 years	5,251,805.36	2,777,947.31
2 -3 years	985,259.25	123,341.59
Over 3 years	851,762.72	1,070,129.65
Total	38,100,891.54	38,380,570.47

(2) Significant accounts payable aged over 1 year

Significant accounts payable aged over 1 year are mainly unsettled balance of goods purchased.

## 16. Contract liabilities

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Equipment sales contract	7,149,828.37	5,073,308.86
Hotel catering service contract	9,937,676.75	9,060,998.34
Total	17,087,505.12	14,134,307.20

## 17. Employee compensation

### (1) Details of employee compensation

*Unit: RMB*

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
I. Short-term compensation	8,357,115.95	27,727,117.70	32,335,913.16	3,748,320.49
II. Post-employment benefits – defined contribution plan	478,150.54	2,245,891.43	1,633,631.85	1,090,410.12
III. Termination benefits				
IV. Other benefits due within one year				
Total	8,835,266.49	29,973,009.13	33,969,545.01	4,838,730.61

(2) Short-term compensation

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
1. Wages, bonuses, allowances, subsidies	7,868,681.34	20,697,836.00	25,805,628.18	2,760,889.16
2. Employee welfare		1,636,219.79	1,636,219.79	
3. Social insurances	245,539.01	2,620,235.44	2,608,462.99	257,311.46
Including: Medical insurance	206,818.55	2,421,843.70	2,410,839.73	217,822.52
Work injury insurance	19,102.27	118,036.13	115,683.69	21,454.71
Maternity insurance	19,618.19	80,355.61	81,939.57	18,034.23
4. Housing provident fund	152,990.27	2,616,018.48	2,159,101.90	609,906.85
5. Labor union expenditure and employee education expenses	89,905.33	156,807.99	126,500.30	120,213.02
6. Short-term paid absences				
7. Short-term profit sharing plan				
Total	8,357,115.95	27,727,117.70	27,872,501.09	8,211,732.56

(3) Defined contribution plan

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
1. Basic endowment insurance	453,686.64	2,051,365.73	1,439,768.01	1,065,284.36
2. Unemployment insurance	24,463.90	194,525.70	193,863.84	25,125.76
3. Enterprise annuity payment				
Total	478,150.54	2,245,891.43	1,633,631.85	1,090,410.12

**18. Tax payable**
*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
增值税	957,667.75	909,401.95
Value-added tax		
Enterprise income tax	2,570,367.39	2,627,421.18
Individual income tax	220,252.57	270,878.23
City maintenance and construction tax	17,464.98	15,559.77
Education surcharge/local education surcharge	11,429.78	11,114.13
Tenure tax	19,947.50	19,947.50
Housing property tax	28,831.55	28,831.55
Stamp duty	74,524.27	53,537.42
Others	98,480.36	1,724.42
Total	3,998,966.15	3,998,966.15

**19. Other payables**
*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
Interests payable		
Dividends payable		
Other payables	210,060,173.74	191,146,104.42

(1) Other payables

(1) Details of other payables by nature

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Compensation due for CDB case (Note)	94,078,130.44	94,078,130.44
Current account and litigation fee	115,500,852.97	96,619,563.85
Others	481,190.33	448,410.13
Total	210,060,173.74	191,146,104.42

2) Other instructions

Note: (1) Shenyang High-voltage Switches Co., Ltd. (hereafter “Shenyang HVS”) acquired bank loan from China Development Bank (hereafter “CDB”) in 1998 by Agreement of Bank Loan, which was guaranteed by other companies with Agreement of Guarantee. In 2003 and 2004, with its assets in kind and land use rights, Shenyang HVS joined with other companies in setting up subsidiaries including New Northeast Electric (Shenyang) High-voltage Switches Co., Ltd. (hereafter “New Northeast High-volt”), New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (hereafter “New Northeast Insulation”), Shenyang Dongli Logistics Co., Ltd. (formerly Shenyang Xintai Warehouse & Logistics Co., Ltd., hereafter “Dongli Logistics”) and Shenyang Beifu Machinery Manufacturing Co., Ltd. (formerly Shenyang Chengtai Energy Power Co., Ltd., hereafter “Beifu Machinery”). In 2004, the Company acquired shares of Dongli Logistics, Beifu Machinery and New Northeast Insulation with transfer of creditor’s rights and share swaps. In May 2004, CDB filed a lawsuit with Beijing Higher People’s Court (hereafter “Beijing Higher Court”), claiming for Shenyang HVS to repay the overdue loan principal of RMB150,000,000 and the interest incurred, and for the Company, New Northeast High-volt, New Northeast Insulation, Dongli Logistics and Beifu Machinery to take joint and several liabilities for the aforesaid principal and interest; also claiming for the Court to rule the share transfer agreement between Shenyang HVS and the Company on purchase of shares of New Northeast Insulation, Dongli Logistics and Beifu Machinery to be void.



The case went through trial by Beijing Higher Court and the Supreme People's Court. Eventually, the Supreme People's Court ruled in September 2008 with Ruling (2008) Min Er Zhong Zi No. 23, that 1) Cancel the agreement by which the Company swapped 95% of Beifu Machinery shares and 95% of Dongli Logistics shares held by Shenyang HVS with obligation of RMB76.66 million and interest incurred of Northeast Electric Power Transmission and Transformation Equipment Group Co., Ltd. held by the Company; the Company should return the aforesaid shares to Shenyang HVS within 10 days of the Ruling, or should compensate Shenyang HVS within the limit of RMB247.1165 million if unable to return those shares; Shenyang HVS should return the obligation of RMB76.66 million of Northeast Electric Power Transmission and Transformation Equipment Group Co., Ltd. and interest incurred to the Company within 10 days of the Ruling, or should compensate the Company within the limit of RMB76.66 million if unable to return; 2) Cancel the share swap agreement between Shenyang HVS and the Company for 74.4% of New Northeast Insulation shares held by Shenyang HVS and 98.5% of Shenyang Taisheng Industry & Trade Co., Ltd. (formerly Shenyang Tiansheng Communication Equipment Co., Ltd., hereafter "Taisheng Industry & Trade") shares held by the Company; 3) Shenyang HVS should return 98.5% of Taisheng Industry & Trade shares to the Company within 10 days of the Ruling and the Company should return 74.4% of New Northeast Insulation shares to Shenyang HVS within 10 days of the Ruling. The Company should compensate Shenyang HVS within the limit of RMB130 million after deducting RMB27.8788 million if shares return is not possible.

The Company carried out the Ruling in 2007 and 2008. However, CDB filed with Beijing Higher Court for execution in 2009 by the Ruling (2008) Min Er Zhong Zi No. 23, and consequently, the Court froze 10% of Shenyang Kaiyi Electric shares held by the Company according to law. The Company appealed for such execution while the Beijing Higher Court dismissed the appeal in October 2013 with Ruling (2013) Gao Zhi Yi Zi No. 142. Then the Company filed for retrial with the Supreme People's Court, for which the Court dismissed Beijing Higher Court's ruling with Ruling (2013) Gao Zhi Yi Zi No. 142 and ruled for retrial with Ruling (2014) Zhi Fu Zi No. 9 in March 2015. Beijing Higher Court issued Ruling (2015) Gao Zhi Yi Zi No. 52 in December 2016, which ruled that Northeast Electric's appeal lacked evidence, did not sustain the claim of shares return already carried out, and held that the Company should carry out compensation. The Company again appealed to the Supreme People's Court, and the Supreme People's Court made final Ruling (2017) Zui Gao Fa Zhi Fu No. 27 in August 2017 to dismiss Northeast Electric's appeal and sustain Beijing Higher Court's Ruling (2015) Gao Zhi Yi Zi No. 52. The Company accordingly recognised liabilities of RMB272,627,700 in 2017.

On February 23, 2021, the First Intermediate People's Court of Hainan Province issued ruling (2021) Qiong 96 Zhi No. 120, which continued to seal up the state-owned land use right under the name of the Company located at No. 39 Shentie Road, Dadong District, Shenyang City, Liaoning Province, with the land certificate No. Shenyang Guoyong 1995 Zi No. 17. However, the land use right was auctioned by the Intermediate People's Court of Shenyang City, Liaoning Province in 2011.

- (2) On 30 November 2018, Fuxin Enclosed Busbar Co., Ltd. (“Fuxin Busbar”), a wholly-owned subsidiary of the Company, filed a lawsuit with Hainan Higher People’s Court, claiming for Shenyang HVS to pay USD16 million, which was the consideration for the transfer of 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (formerly Shenyang Xintai High-voltage Electric Co., Ltd.), as well as the interest accrued from the date of transfer to the date of litigation, and for the Company to be jointly liable for the payment of the equity transfer consideration by Shenyang HVS. 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (formerly Shenyang Xintai High-voltage Electric Co., Ltd.) (the “Underlying Equity”) was held by Fuxin Busbar by 22 September 2008. Due to the enforcement of the final judgment made by the Supreme People’s Court on 5 September 2008 for the case of CDB (Document (2008) Min Er Zhong Zi No. 23) and under the coordination of the Company, Fuxin Busbar, a whollyowned subsidiary of the Company, returned the Underlying Equity to Shenyang HVS free of charge, and completed the equity change registration on 22 September 2008 as required by the local industrial and commercial administration of the place of registration of the Company. Therefore, the Underlying Equity held by Fuxin Busbar was returned to Shenyang HVS free of charge. However, according to the enforcement ruling issued by the Supreme People’s Court on 31 August 2017 (Document (2017) Zui Gao Fa Zhi Fu No. 27), “the fact that the return of the Underlying Equity free of charge under the coordination of Northeast Electric cannot be ascertained”. Fuxin Busbar held that the outstanding equity transfer consideration of USD16 million of Shenyang HVS constituted a default. Hence, Fuxin Busbar filed a lawsuit with the Court, claiming for the return of the consideration for the transfer of the Underlying Equity. Hainan Higher People’s Court accepted this case. On 20 May 2019, the Company received the Ruling (2018) Qiong Min Chu No. 69 from Hainan Higher People’s Court, which ruled that Shenyang HVS should, within 15 days of the Ruling, pay Fuxin Busbar RMB111,121,600 (since the average exchange rate of RMB against USD was 6.9451 in 2008, USD16 million was equivalent to RMB111,121,600), which was the consideration for the transfer of the Underlying Equity, as well as the interest incurred (commencing from 23 October 2008 to 23 November 2018, at the corresponding benchmark rate of one-year loan provided by the People’s Bank of China).

On 24 June 2020, Fuxin Busbar transferred all of its rights under the Ruling (2018) Qiong Min Chu No. 69 from Hainan Higher People’s Court to the Company, at the consideration of RMB3.00 million. As of 7 September 2020, the Company is legally entitled to claim Shenyang HVS’ matured debt totaling RMB178,549,569.56, including equity transfer payment, interest, interest on debt during the period of delayed performance. In accordance with Article 99 of the Contract Law of the People’s Republic of China and other relevant laws, the Company has notified Shenyang HVS by post on 7 September 2020 that the aforesaid matured debt due from Shenyang HVS of RMB178,549,569.56 would be offset against the Company’s matured debt due to Shenyang HVS arising from the Civil Ruling (2004) Gao Min Chu Zi No. 802 issued by the Beijing Municipal Higher People’s Court and the Civil Ruling (2008) Min Er Zhong Zi No. 23 issued by the Supreme People’s Court, namely, the offset amount was RMB178,549,569.56. The Company has published an announcement on Liaoshen Evening News, a media in Liaoning where Shenyang HVS is located on 11 September 2020; the debt offset has become effective on 11 September 2020. At the same time, the Company has carried out offset accounting treatment.

- (3) Other significant accounts payable aged over 1 year are mainly unexecuted litigation amounts

**20. Non-current liabilities due within one year**

*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
Lease liabilities due within one year	23,164,873.70	33,966,281.82
Total	23,164,873.70	33,966,281.82

**21. Other current liabilities**
*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
VAT payable – output tax to be transferred	1,049,635.83	1,173,384.17
Total	1,049,635.83	1,173,384.17

**22. Lease liabilities**
*Unit: RMB*

Item	Balance at end of year	Balance at beginning of year
Site lease	20,500,502.03	33,966,281.82
Less: Lease liabilities due within one year	-20,500,502.03	-33,966,281.82
Total	-	-

### 23. Estimated liabilities

Unit: RMB

Item	Balance at end of year	Balance at beginning of year	Reason
External guarantee (Note)	34,354,500.00	34,354,500.00	Liability under guarantees
Total	34,354,500.00	34,354,500.00	--

Note:

- (1) The Company has provided guarantee for the bank loan of RMB13,000,000.00 between Bank of China Jinzhou Branch and Jinzhou Power Capacitor Co. Ltd (“Jinrong”), and thus undertake obligation of joint guarantee. Bank of China Jinzhou Branch has filed a lawsuit in February 2005 to the Intermediate People’s Court of Jinzhou City, Liaoning Province, asking for Jinrong’s repayment of RMB13,000,000.00 and the relative interests, along with request that the Company undertake joint obligation of repayment. The Intermediate People’s Court of Jinzhou City, Liaoning Province ruled in May 2005 that the Company should undertake the joint obligation of repayment of the captioned loan principal and interests. The Company did not file for appeal, and the Ruling became effective. The Intermediate People’s Court of Jinzhou City, Liaoning Province issued Enforcement Notice (2005) Jin Zhi Zi No. 89 in September 2005. And on 23 June 2010, the Court made Enforcement Ruling (2005) Jin Zhi Yi Zi No. 89, sealing up high-voltage parallel connection capacitors owned by Jinrong, including 35 boxes of 140 sets of BFM6.61-299IW, 24 boxes totaling 96 sets of BFM2.11.5J3- 300IW, and 65 boxes of 240 sets of BFM3.11.5J3-300IW. The Company had accordingly estimated liabilities of RMB14,464,500.00. Up to the date of report approval, the above-mentioned repayment has not yet been settled.

- (2) The Company has provided guarantee for loans of RMB17,000,000.00 between Jinzhou Power Capacitor Co., Ltd. and Jinzhou City Commercial Bank, and thus undertake obligation of joint guarantee. The bank launched a lawsuit in March 2007 to the Intermediate People's Court of Jinzhou City, Liaoning Province against Jinrong for repayment of principal of RMB17,000,000.00 and related interests of RMB2,890,000.00, and asking for the Company to assume joint obligation of repayment. The court sentenced the Company to assume joint liability for repaying RMB17,000,000.00 and related interests of RMB2,890,000.00 by Civil Judgment (2007) Jin Min San Chu Zi No. 00049 in June 2007, which came into effectiveness and the Company did not appeal. The Intermediate People's Court of Jinzhou City issued an order of Enforcement to the Company on 5 March 2008, requesting execution of obligations. The Company therefore had estimated liability of RMB19,890,000.00. Up till the reporting date, the Company has not paid the above mentioned liability.

## 24. Deferred income

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year	Reason
Policy-based relocation compensation for new plant construction project	36,035,084.94		962,600.82	35,072,484.12	
Total	36,035,084.94		962,600.82	35,072,484.12	--

In particular, projects involving government grants:

Unit: RMB

Item	Balance at beginning of year	New grants for the year	Amount of nonoperating income included in the year	Amount of other income included in the year	Amount of offsetting costs and expenses in the current period	Other changes	Balance at end of year	Asset/ Revenue related
Policy-based relocation compensation for new plant construction project	36,035,084.94			962,600.82			35,072,484.12	Related to assets

## 25. Share capital

Unit: RMB

Item	Balance at beginning of year	Increment/Decrement (+/-)					Subtotal	Balance at end of year
		New shares issued	Stock dividend	Reserve to shares	Others			
Total shares	873,370,000.00							873,370,000.00

## 26. Capital reserve

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
Share premium	115,431,040.00			115,431,040.00
Other capital reserve	968,566,297.88			968,566,297.88
Total	1,083,997,337.88			1,083,997,337.88



## 27. Other comprehensive income (OCI)

Unit: RMB

Item	Balance at beginning of year	Amount for this period						Balance at end of year
		Amount before income tax	Less: previous other comprehensive income converted to current profit or loss	Less: previous other comprehensive income converted to current retained earnings	Less: income tax	Attributable to the parent company after tax	Attributable to minority interests after tax	
I. OCI that cannot be reclassified into profit or loss	-231,195,596.01							-231,195,596.01
Including: Remeasurement of changes in defined benefit plans								
Other comprehensive income that cannot be transferred to profit or loss under the equity method								
Changes in fair value of other equity instruments investment	-231,195,596.01							-231,195,596.01
Changes in the fair value of the company's own credit risk								
II. OCI to be reclassified into profit or loss	-26,741,286.02	1,283,399.39				1,283,399.39		-25,457,886.63
Including: Other comprehensive income that can be transferred to profit or loss under the equity method								
Changes in fair value of other debt investments								
Amount of financial assets reclassified into other comprehensive income								
Provision for credit impairment of other debt investments								
Cash flow hedge reserve								
Foreign currency translation difference	-26,741,286.02	1,283,399.39				1,283,399.39		-25,457,886.63
Total	-257,936,882.03	1,283,399.39				1,283,399.39		-256,653,482.64

## 28. Surplus reserves

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
Statutory surplus reserve	80,028,220.48			80,028,220.48
Optional surplus reserve	28,558,903.92			28,558,903.92
Reserve Fund				
Business development fund				
Other				
Total	108,587,124.40			108,587,124.40

Explanation of surplus reserves, including increase/decrease in the current period and reason for changes:

**29. Undistributed profit**
*Unit: RMB*

Item	Amount for the year	Amount for previous year
Undistributed profit at the end of the previous year before adjustment	-1,977,714,664.18	-1,995,343,315.68
Adjustment for total undistributed profits at the beginning of the year (+ for increase and – for decrease)		
Undistributed profits at the beginning of the year after adjustment	-1,977,714,664.18	-1,995,343,315.68
Add: Net profits attributable to shareholders of the parent for the year	-17,771,697.62	
Less: Appropriation for statutory surplus reserve		
Appropriation for optional surplus reserve		
Extract general risk provision		
Ordinary shares dividends payable		
Ordinary shares dividends converted to equity		
Others		284,233.65
Undistributed profit at the end of the year	-1,995,486,361.80	-2,006,878,787.06

30. Operating income and operating costs

Unit: RMB

Item	Amount for the year		Amount for previous year	
	Income	Cost	Income	Cost
Main business	36,274,702.98	28,955,925.39	28,446,337.20	19,329,133.16
Other business	124,091.88	140,223.82		
Total	36,398,794.86	29,096,149.21	28,446,337.20	19,329,133.16

Unit: RMB

By the time of transfer of goods				
Including:	<b>Sales of enclosed busbar products</b>	<b>Hotel and catering industry</b>		<b>Total</b>
Recognized at a certain point	18,943,395.64	16,695,262.43		36,398,794.86
Total	18,943,395.64	16,695,262.43		36,398,794.86

**31. Tax and surcharges**
*Unit: RMB*

Item	Amount for the year	Amount for previous year
Sale tax		
City maintenance and construction tax	46,264.81	15,216.88
Education surcharges	21,019.61	6,521.52
Resource tax		
Property tax	172,989.30	173,016.36
Land use tax	119,685.00	119,685.00
Tax on vehicles	4,449.12	4,449.12
Stamp duty	3,905.96	
Others	23,787.73	4,347.68
Total	392,101.53	323,236.56

### 32. Sales expenses

Unit: RMB

Item	Amount for the year	Amount for previous year
Employee compensation	2,223,145.61	2,111,626.23
Depreciation of right-of-use assets	1,128,574.68	4,658,484.55
Shipping fee	1,499,650.50	527,540.50
Material consumption		698,235.61
After-sales services expenses	854,874.50	243,452.94
Travelling expenses	118,343.81	159,518.75
Property fee	240,000.00	407,142.84
Energy expenses		622,687.96
Repair expense	4,116.43	59,887.53
Commission	289,244.25	73,375.21
Cleaning fee	263,673.39	222,904.26
Bidding fee	882,887.76	403,746.23
Entertainment fee	79,193.29	50,799.75
Others	18,910.29	403,341.62
Total	7,602,614.51	10,642,743.98

### 33. Administrative expenses

Unit: RMB

Item	Amount for the year	Amount for previous year
Employee compensation	8,971,108.72	5,662,479.34
Office expenses	181,483.25	18,433.50
Depreciation expenses	384,687.25	491,706.42
Agent fee	419,585.22	1,911,747.73
Heating expenses	1,918,700.23	128,533.79
Entertainment expense	53,395.80	21,779.68
Travelling expense	40,603.13	85,163.66
Amortization expenses	204,003.06	132,003.06
Rental fees and ancillary fees	339,496.59	567,748.38
Others	3,459,607.27	631,008.43
Total	15,972,670.52	9,650,603.99

### 34. R&D expenditure

Unit: RMB

Item	Amount for the year	Amount for previous year
Casting busbar test section		256,190.34
Insulating pipe busbar test section	428,745.52	196,575.60
Intelligent forced circulation tank test section	168,462.43	110,960.34
Wind power pipe busbar test section	174,533.48	
Intensive busway test section	464,784.63	
Others		165,134.75
Total	1,236,526.06	728,861.03

### 35. Financial expenses

Unit: RMB

Item	Amount for the year	Amount for the year
Interest expenses	1,490,380.03	493,915.35
Less: Interest income	-16,926.56	-6,951.90
Exchange gain or loss		
Bank charges	58,164.61	37,779.58
Total	1,531,618.08	524,743.03

### 36. Other income

Unit: RMB

Other sources of income	Amount for the year	Amount for previous year
Compensation for new plant construction project in policy-based demolition	962,600.82	889,792.14
VAT exemption or reduction	447,320.44	
Total	1,419,912.37	889,792.14

### 37. Assets impairment loss

Unit: RMB

Item	Amount for the year	Amount for previous year
Others	4,451.22	
Total	4,451.22	

### 38. Gain on asset disposal

Unit: RMB

Item	Amount for the year	Amount for previous year	Amounts included in the current nonrecurring profit or loss
Others	128,641.29	10,262.03	128,641.29
Total	128,641.29	10,262.03	

**39. Non-operating expenses**

*Unit: RMB*

Item	Amount for the year	Amount for previous year	Amounts included in the current nonrecurring profit or loss
Fines on late payment	578.57	622.85	578.57
Total	578.57	622.85	

**40. Income tax expense**

(1) Income tax expense

*Unit: RMB*

Item	Amount for the year	Amount for previous year
Current income tax expense	-7,960.49	
Deferred income tax expense		
Total	-7,960.49	

**41. Statements of cash flows**

## (1) Cash received from other operating related activities

*Unit: RMB*

Item	Amount for the year	Amount for previous year
Interest income	14,286.79	9,024.99
Current accounts	3,141,599.75	3,070,057.75
Bidding deposits	3,185,767.48	2,607,843.49
Others	283,262.42	25,743.92
Total	6,624,916.44	5,712,670.15

## (2) Cash paid for other operating related activities

*Unit: RMB*

Item	Amount for the year	Amount for previous year
Fees for cash payments	5,022,480.46	2,591,504.12
Current accounts	940,684.33	86,595.60
Deposits for performance guarantees	5,868,683.73	2,198,183.60
Deposits for bidding	2,787,018.00	3,011,000.00
Others	4,713,393.53	22,423.58
Total	19,332,260.05	7,909,706.90

**42. Assets with restricted ownership or use right**

*Unit: RMB*

Item	Book balance at end of year	Reason
Monetary capital	3,521,386.98	Deposit placed for performance guarantee
Total	3,521,386.98	--

**43. Foreign-currency monetary items**

(1) Foreign-currency monetary items

*Unit: RMB*

Item	Foreign currency balance at end of year	Exchange rate	Translated RMB balance at end of year
Monetary capital	--	--	
Including: US dollars	1,203.34	6.7114	8,076.10
HK dollars	464,176.71	0.8552	396,963.92

- (2) The description of the overseas business entity, including for important overseas business entities, should disclose its main overseas business location, recording currency and selection basis, and the reasons for the change of the recording currency should also be disclosed.

√ Applicable □ Not applicable

Item	Principle operating place	Functional currency	Basis for selection of functional currency
Northeast Electric Development (HK) Co., Ltd. (東北電氣發展(香港)有限公司)	Hong Kong	HKD	Principal operating place
Great Talent Technology Limited Subsidiary Investment (高才科技有限公司)	British Virgin Islands	HKD	Territory

Note: Northeast Electric Development (HK) Co., Ltd. is a company set up in Hong Kong by the Company, Great Talent Technology Limited Subsidiary Investment., Ltd. is a company set up in British Virgin Islands (BVI) by the Company.

#### 44. Government grants

- (1) Basic information on government subsidies

*Unit: RMB*

Category	Amount of new grants	Item	Amount included in current profit or loss
Related to income	962,600.82	Other income	962,600.82

## VII. Changes in Consolidation Scope

There are no changes in the consolidation scope of the Group for the year as compared with the previous year.

## VIII. Equity in Other Entities

### 1. Equity in subsidiaries

#### (1) Composition of the Group

Name of subsidiary	Name of subsidiary	Registration place	Nature of business	Shareholding ratio (%)		Means of acquisition
				Direct	Indirect	
Northeast Electric Development (HK) Co., Ltd.	HK	HK	Investment/Trade	100.00		Set up
Great Talent Technology Limited Subsidiary Investment	BVI	BVI	Investment	100.00		Set up
Shenyang Kaiyi Electric Co., Ltd.	Shenyang	Shenyang	Manufacturing, sales of electrical equipment	10.00	90.00	Set up
Fuxin Enclosed Busbar Co., Ltd.	Fuxin	Fuxin	Manufacturing of enclosed busbar		100.00	Set up
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Haikou	Haikou	Investment		99.00	Set up
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Chengdu	Chengdu	Chengdu Engineering design and construction, reconnaissance and design, project consultation of new energy		51.00	Merger acquisition under different control

(2) Information on significant non-wholly-owned subsidiary

Name of subsidiary	Percentage of minority shares (%)	Profit or loss attributable to minority shareholders in the year	Dividends paid to minority shareholders in the year	Closing balance of minority interests
Hainan Garden Lane Flight Hotel Management Co., Ltd.	1.00	-100,800.63		-1,345,829.11
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	49.00	-		3,406,076.18

(3) Main financial information on significant non wholly-owned subsidiary

Name of subsidiary	Balance at end of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	66,306,389.16	25,280,895.45	91,587,284.61	216,090,131.53		216,090,131.53

(Continued)

Name of subsidiary	Balance at beginning of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	68,942,688.82	10,870,280.58	79,812,969.40	216,816,200.75	-	1 216,816,200.75

(Continued)

Name of subsidiary	Amount for the year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	17,455,399.22	-12,692,344.36	-12,692,344.36	-685,094.84

(Continued)

Name of subsidiary	Amount for previous year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	10,015,948.98	-3,347,730.40	-3,347,730.40	-1,744,262.44

## 2. Equity in joint ventures or associates

Name of associate	Principle operating place	Registration place	Nature of business	Shareholding ratio (%)		Accounting method for investment in associates
				Direct	Indirect	
Chongqing HNA Hotel Investment Co., Ltd.	Chongqing	Chongqing	Hotel accommodation		30.00	Equity method
Great Power Technology Limited	BVI	BVI	Investment holding		20.80	Equity method

## IX. Risks Related to Financial Instrument

Financial instruments the Company invested mainly include equity investment, accounts receivables and accounts payables. Please see Note VI for details of financial instruments. The following will show the risks relating to these financial instruments and the risk management policies the Company adopted to reduce the relative risks. Management of the Company manages and supervises the exposures of these financial instruments to ensure that they are within control.

Sensitivity analysis is adopted by the Company to analyze possible impact on the current profit or loss or shareholders' equity by the reasonable and possible variations of risks. Since any variation of a risk seldom happens isolated, relativity between variables will cause significant influences on the ultimate impacted amount of a changed variable of risk, so the following statement is based on supposition that each variable happens independently.

The goal of risk management of the Company is to achieve balance between risk and income, reducing the negative impacts on the operations to the lowest level, and maximizing interests of shareholders and other equity investors. Based on this goal, the basic strategy of risk management for the Company is to ascertain and analyze all the risks that the Company confronts, establish appropriate bottom line for risk-taking, and manage the risks accordingly, in the meantime supervise all the risks in a timely and reliable manner, controlling the risks within the limited scope.

### 1. Market risks

Foreign currency risk is the risk of loss caused by fluctuation in exchange rates. The main foreign currency risks for the Company involve HKD. Except for subsidiaries established overseas – Northeast Electric (HK) Co., Ltd. and Great Talent Technology Limited Subsidiary Investment, Ltd. which record in HKD for their financial statements, other principal operating activities of the Company are settled in RMB. On 30 June 2022, only daily expenses reported with no purchases or sales for overseas subsidiaries of the Company.

On 30 June 2022, impacts on the current profit or loss and shareholders' equity are as follows, supposing HKD against RMB appreciate or depreciate 0.5% while all other variables remain unchanged:

Item	Change in exchange rate	Current year		Previous year	
		Impacts on profit	Impacts on shareholders' equity	Impacts on profit	Impacts on shareholders' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB	314.75	281,061.97	71.98	293,723.71
Translation from foreign currency reports	Depreciate 0.5% against RMB	-314.75	-281,061.97	-71.98	-293,723.71

## 2. Credit risks

Credit risk is the risk of financial losses arising from default of the counterparty of the financial instruments.

As at 30 June 2022, credit risks of the Group were mainly derived from the financial assets recognized by the Group, specifically including:

The book value of financial assets recognized in the consolidated balance sheet: the maximum exposure of risks is equal to the book value of these financial assets.

Please refer to Note IV.10 for the methods to assess whether the credit risk has increased since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly.

For quantitative data of the Group's credit risk exposure and loss provision due to accounts receivable, other receivables and contract assets, please refer to the disclosure in Note VI.3 and Note VI.5.

### 3. Liquidity risk

As of 30 June 2022, the current liabilities of the Company were RMB172.3635 million more than current assets. Material uncertainties concerning major matters which might impact the continuous operation of the Company exist, thus may result in the Company's inability to liquidate assets and repay debts during its normal operation.

## X. Disclosure of Fair Value

Year-end fair value of assets and liabilities at fair value

Item	Year-end fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement			0.00	0.00
(I) Financial assets held for trading				
1. Financial assets at fair value through profit or loss				
(1) Equity instrument investment				
(II) Other equity instrument investment			0.00	0.00
Total assets at fair value on a recurring basis			0.00	0.00

## XI. Related parties and related party transactions

### 1. The largest controlling shareholder of the Company

Name	Registration place	Nature of business	Registered capital (RMB0'000)	Shareholding ratio of the largest shareholder (%)	Voting percentage of the largest shareholder (%)
Beijing Haihongyuan Investment Management Co., Ltd.	Beijing	Beijing Investment and management	3,000,000	9.33	9.33

Notes: The ultimate controller of the Company is Hainan Province Cihang Foundation. As of 30 June 2022, Beijing Haihongyuan Investment Management Co., Ltd. pledged 9.33% of its equity in the Company to Bank of Guangzhou Co., Ltd.

### 2. Subsidiaries of the Company

#### (1) Composition of the Group

Name of subsidiary	Name of subsidiary	Registration place	Nature of business	Shareholding ratio (%)		Means of acquisition
				Direct	Indirect	
Northeast Electric Development (HK) Co., Ltd.	HK	HK	Investment/Trade	100.00		Set up
Great Talent Technology Limited Subsidiary Investment	BVI	BVI	Investment	100.00		Set up
Shenyang Kaiyi Electric Co., Ltd.	Shenyang	Shenyang	Manufacturing, sales of electrical equipment	10.00	90.00	Set up
Fuxin Enclosed Busbar Co., Ltd.	Fuxin	Fuxin	Manufacturing of enclosed busbar		100.00	Set up
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Haikou	Haikou	Investment		99.00	Set up
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Chengdu	Chengdu	Chengdu Engineering design and construction, reconnaissance and design, project consultation of new energy		51.00	Merger acquisition under different control

(2) Information on significant non-wholly-owned subsidiary

Name of subsidiary	Percentage of minority shares (%)	Profit or loss attributable to minority shareholders in the year	Dividends paid to minority shareholders in the year	Closing balance of minority interests
Hainan Garden Lane Flight Hotel Management Co., Ltd.	1.00	-100,800.63		-1,345,829.11
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	49.00	-		3,406,076.18

**3. Information about the Group's associates**

Name of associate	Principle operating place	Registration place	Nature of business	Shareholding ratio (%)		Accounting method for investment in associates
				Direct	Indirect	
Chongqing HNA Hotel Investment Co., Ltd.	Chongqing	Chongqing	Hotel accommodation		30.00	Equity method
Great Power Technology Limited	BVI	BVI	Investment holding		20.80	Equity method

#### 4. Other related parties

Name of other related parties	Relationship with the Group
Antu Business Travel Services Co., Ltd.	Other related party
Beijing Capital Airlines Co., Ltd.	Controlled by the same ultimate controller
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Controlled by the same ultimate controller
Dongguan Yujingwan Hotel	Controlled by the same ultimate controller
HNA Group Finance Co., Ltd.	Controlled by the same ultimate controller
HNA Hotel (Group) Co., Ltd.	Controlled by the same ultimate controller
HNA Hotel Group (Hong Kong) Co., Ltd.	Controlled by the same ultimate controller
HNA Hotel Holdings Ltd.	Controlled by the same ultimate controller
HNA Tianjin Center Development Co., Ltd.	Controlled by the same ultimate controller
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Controlled by the same ultimate controller
Yunnan Tonghui Hotel Management Co., Ltd.	Controlled by the same ultimate controller
Hainan Fushun Investment Development Limited	Other related party
Hainan Guoshang Hotel Management Co., Ltd.	Controlled by the same ultimate controller
Hainan Island CardsPayment Network Co. Ltd. (海南海島一卡通支付網路有限公司)	Other related party

Name of other related parties	Relationship with the Group
Hainan HNA International Hotel Management Limited	Controlled by the same ultimate controller
Hainan HNA Business Service Co., Ltd.	Controlled by the same ultimate controller
Hainan Airlines Holding Co., Ltd.	Other related party
Hainan Meilan HNA Hotel Co., Ltd.	Controlled by the same ultimate controller
Hainan Meilan Airport Hotel Investment Co., Ltd.	Other related party
Hainan Property Management Group Co., Ltd.	Other related party
Hainan Yingzhi Construction and Development Co., Ltd.	Other related party
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Controlled by the same ultimate controller
Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd.	Controlled by the same ultimate controller
Tianjin Airlines Co., Ltd.	Other related party
Tunchang HNA Agricultural Park Investment Co., Ltd.	Controlled by the same ultimate controller
West Air Co., Ltd.	Other related party
Asia-Pacific International Conference Center Co., Ltd.	Controlled by the same ultimate controller
Yunnan Lucky Air Co., Ltd.	Other related party
Yunshangtong International Holdings Co., Ltd.	Controlled by the same ultimate controller
Changchun Noble Hotel Co., Ltd.	Controlled by the same ultimate controller

## 5. Related party transactions

(1) Related party transactions of purchasing and selling goods, providing and receiving labor services

(i) Goods purchased/labor services received

Related party	Content of related party transactions	Amount for the year	Amount for previous year
Hainan Property Management Group Co., Ltd.	Property fees and utilities	63,121.88	
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Procurement and inventory	575,940.15	
Dongguan Yujingwan Hotel	Labor cost and remuneration paid on behalf of employees	2,996,373.24	
Dongguan Yujingwan Hotel	Procurement and inventory	84,543.30	
Dongguan Yujingwan Hotel	Utilities and out-of-pocket expenses	1,503,433.79	
HNA Tianjin Center Development Co., Ltd.	Utilities and room charges	1,119,903.11	
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Procurement and inventory	3,947,315.87	
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Utilities and out-of-pocket expenses	192,223.81	
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Procurement and inventory	2,988.06	
Yunnan Lucky Air Co., Ltd.	Vehicle use fee	951,760.00	
Yunnan Lucky Air Co., Ltd.	Property fees and utilities		1,007,142.84
Hainan HNA Business Service Co., Ltd.	Service fees		1,500.00
Changchun Noble Hotel Co., Ltd	Utilities and out-of-pocket expenses	378,064.97	

(ii) Sales of goods/provision of labor services

<b>Related party</b>	<b>Content of related party transactions</b>	<b>Amount for the year</b>	<b>Amount for previous year</b>
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Catering and accommodation	341,690.11	
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Catering and accommodation	494,478.21	
Beijing Capital Airlines Co., Ltd.	Catering and accommodation	1,650.00	266,668.00
West Air Co., Ltd.	Catering and accommodation		36,085.00
Hainan Airlines Holding Co., Ltd.	Catering and accommodation		16,850.00
Yunnan Lucky Air Co., Ltd.	Catering and accommodation	253,537.00	742,742.90
Tianjin Airlines Co., Ltd.	Catering and accommodation		17,610.00

(2) Related party lease  
 (i) The Company as a lessee

Lessor name	Type of leased assets	Rental expense recognized in the year	Rental expense recognized in previous year
Hainan Yingzhi Construction and Development Co., Ltd.	Office leasing	287,309.99	
Beijing Haihongyuan Investment Management Co., Ltd.	Office leasing		
Hainan Fushun Investment Development Limited	Office leasing		453,141.00
HNA Tianjin Center Development Co., Ltd.	Parking lot leasing	240,000.00	
Dongguan Yujingwan Hotel	Hotel premises leasing	1,651,376.16	2,605,321.10
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Hotel premises leasing	5,988,749.44	890,285.61
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Hotel premises leasing	2,870,661.89	
Yunnan Lucky Air Co., Ltd.	Hotel premises leasing		1,628,571.42
Changchun Noble Hotel Co., Ltd.	Hotel premises leasing	2,252,632.01	
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Hotel premises leasing	4,331,902.89	
HNA Tianjin Center Development Co., Ltd.	Hotel premises leasing	1,237,500.00	

(3) Related party funds lending

Related party	Borrowing amount	Starting date	Maturity date	Description
Borrowing:				
Yunshangtong International Holdings Co., Ltd.	2,560,000.00	2022/1/10	2023/1/10	

## XII. Commitment and Contingent Events

### 1. Significant commitment

As at 30 June 2022, the Group has no significant commitment required to be disclosed.

### 2. Contingent events

As at 30 June 2022, the Group has no significant contingent event required to be disclosed.

## XIII. Post Balance Sheet Date Events

### 1. Major non-adjusting events

As at the reporting date, the Group has no other significant post balance sheet date non-adjusting events required to be disclosed.

### 2. Assessment of the impact of the COVID-19

Due to overseas outbreak of Coronavirus Disease 2019 ("COVID-19"), the pandemic resurged to some extent in China in early 2022. The Group has taken some prevention and control measures such as the suspension of some stores. It is expected that the pandemic and prevention and control measures will have a temporary impact on the operation of the Group. The extent of the impact will depend on the progress of the pandemic prevention and control and duration, as well as the implementation of domestic and foreign prevention and control policies. The Group will continue to focus on the development of COVID-19, assess and actively respond to its impact on the company.

## XIV. Other Major Events

### 1. Segment information

(1) Basis for determination and accounting policy of reportable segments

According to the Group's internal organization structure, management requirements and internal reporting system, the Group's operating business is divided into two operating segments. The management of the Group regularly evaluates the operating results of these segments to determine the allocation of resources to them and evaluate their performance. On the basis of operating segments, the Group has identified two reportable segments, namely enclosed busbar product sales segment and hotel and catering reportable segment. These reportable segments are determined on the basis of the main products and services provided by each reportable segment. The main products and services provided by each reportable segment of the Group are:

- A. Sales of enclosed busbar products, mainly producing and selling enclosed busbar products;
- B. Hotel and catering industry, mainly producing catering and accommodation (including outward investment in the hotel and catering industry).

Segment reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by the segments in reporting to the management, which are consistent with the accounting and measurement basis in the preparation of financial statements.

(2) Financial information on the reportable segments

Item	Sales of enclosed busbar products	Hotel catering and accommodation	Undistributed	Inter-segment elimination	Total
Revenue from external operations	18,943,395.64	17,455,399.22			36,398,794.86
Sales expense	2,552,247.00	5,050,367.51			7,602,614.51
Losses on asset impairment		-4,451.22			-4,451.22
Depreciation and amortization	503,020.39	73,544.94	12,124.98		588,690.31
Total profit (loss)	-5,261,855.31	-10,088,023.87	-2,530,579.56		-17,880,458.74
Total assets	108,613,751.79	80,626,209.98	388,496,247.39	-394,946,824.02	182,789,385.14
Total liabilities	139,233,297.33	215,062,768.56	410,131,951.13	-394,946,824.02	369,481,193.00

(3) Information on revenue from external transactions

A. Revenue from external transactions

Please refer to note VI.30 for details.

B. Geographic information

All the revenues from external transactions of the Group generated inside the PRC.

C. Information on main customers

The Group has relatively scattered customers, without single customer contributing more than 10% of the transactions with the Group.

## 2. Leasing

(1) The Group as a lessee

(i) Please refer to Note VI. 11,20,22 for right-of-use assets and lease liabilities.

(ii) Amount included in the current profit or loss and relevant asset cost

Item	Amount included in the current profit or loss		Amount included in relevant asset cost	
	Item presented	Amount	Item presented	Amount
Short-term lease expense (applicable to simplified approach)	Sales expense			
Short-term lease expense (applicable to simplified approach)	Management expense	339,496.59		

### 3. Other Events

The Company received the Notice of Appearance ((2019) Qiong 96 Min Chu No. 381) served by the First Intermediate People's Court of Hainan Province in relation to adjudicating the Company as a person subject to enforcement on 16 July 2019. The plaintiff (the petitioner for enforcement), Fushun Electric Porcelain Co., Ltd. ("Fushun Electric Porcelain") is a creditor of the New Northeast Insulation. According to the evidence of the plaintiff, Northeast Electric (namely "the Company") set up Shenyang HVS with in-kind investment assets including land at No. 39 East Shentie Road, and Shenyang HVS set up the New Northeast Insulation with the land at No. 39 East Shentie Road as investment in kind. But the use right of the land at No. 39 East Shentie Road has been registered under the name of the Company, and was executed in auction by Shenyang Intermediate People's Court due to the dispute over loan contract between the Company and New Northeast Insulation afterwards. Therefore, Fushun Electric Porcelain considered that the Company's investment in Shenyang HVS and Shenyang HVS's investment in New Northeast Insulation are not true, the assets of the New Northeast Insulation have been harmed, and the interests of Fushun Electric Porcelain Company, the creditor of the New Northeast Insulation, have also been harmed.

In view of the foregoing, according to Article 19 of the Provisions of the Supreme People's Court on Several Issues Concerning the Modification and Addition of Parties in Civil Enforcement, Fushun Electric Porcelain claims that the Company fails to fulfill its investment obligation in accordance with the law, which is to transfer the equity of Shenyang High-volt, and Shenyang HVS fails to fulfill its investment obligation in accordance with the law, which is to transfer the equity of New Northeast Insulation; that the Company and Shenyang HVS shall be liable for the debt of RMB11,258,221.34 and the interest of New Northeast Insulation and Fushun Electric Porcelain and the interest generated during the period of delayed performance within the scope of non-investment according to law (i.e. the value range of land use rights of No. 39, East Shentie Road); and that Shenyang High-voltage Switches Co., Ltd. and the Company shall be adjudicated as persons subject to enforcement for the case of Fushun Intermediate People's Court of Liaoning Province ((2015) Fu Zhong Zhi Zi No. 00140).

The Company received the civil written order ((2019) Qiong 96 Min Chu No. 381) from the First Intermediate People's Court of Hainan Province by post on 5 February 2021, ordering as follows: (i) Shenyang High Voltage Switchgear Co., Ltd. shall be adjudicated as a person subject to enforcement for the case of Fushun Intermediate People's Court of Liaoning Province ((2015) Fu Zhong Zhi Zi No. 00140), and within the scope of non-contribution (limited to the value of the appraised use right of the land at No. 39 East Shentie Road with the number of Shen Yang Guo Yong (1995) Zi No. 17 when Shenyang High Voltage Switchgear Co., Ltd. set up New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd.), shall be liable for supplementary compensation for the debts of New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. to Fushun Electric Porcelain Co., Ltd. as confirmed by the civil judgment ((2015) Fu Zhong Min Chu Zi No. 00064 issued by Fushun Intermediate People's Court of Liaoning Province; and (ii) reject other claims of the plaintiff Fushun Electric Porcelain Co., Ltd.

The Company received the civil judgment ((2021) Qiong Min Zhong No. 537) of Hainan Higher People's Court on 9 October 2021, which rejected the appeal and upheld the original judgment.

According to the judgment of the second instance, the court of the second instance rejected the claim of the plaintiff Fushun Electric Porcelain that the Company should be adjudicated as a person subject to enforcement for the case of Fushun Intermediate People's Court of Liaoning Province ((2015) Fu Zhong Zhi Zi No. 00140).



## XV. Notes to Major Items in the Financial Statements of the Company

### 1. Accounts receivable

#### (1) Disclosure by aging

Unit: RMB

Type	Balance at end of year						期初余额					
	Carrying amount			Provision for bad debt			Book value	Carrying amount		Provision for bad debt		
	Amount	Ratio (%)	Amount	Ratio of provision (%)	Amount	Ratio (%)		Amount	Ratio of provision (%)	Amount	Ratio of provision (%)	
											Book value	
Accounts receivable of provision for bad debt on an individual basis												
Including:												
Accounts receivable of provision for bad debt on a collective basis	1,423,911.79	100.00%	1,423,911.79	100.00%	0.00		1,423,911.79	100.00%	1,423,911.79	100.00%	0.00	
Including:												
Total	1,423,911.79	100.00%	1,423,911.79	100.00%			1,423,911.79	100.00%	1,423,911.79	100.00%		

Accounts receivable of provision for bad debt on a collective basis: Disclosure by aging

Unit: RMB

	Balance at end of year		
	Carrying amount	Provision for bad debt	Ratio of provision (%)
Over 4 years	1,423,911.79	1,423,911.79	100.00%
Total	1,423,911.79	1,423,911.79	--

Disclosure by aging

Unit: RMB

Aging	Balance at end of year
Within 1 year (including 1 year)	
1 to 2 years	
2 to 3 years	
over 3 years	1,423,911.79
2 to 4 years	
over 4years	1,423,911.79
Total	1,423,911.79

(2) Provisions for bad debts accrued, recovered or reversed in the current period

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at beginning of year	Changes during the year				Balance at end of year
		Provision	Recoveries or reversals	Write-off	Other changes	
Bad debt provision	1,423,911.79					1,423,911.79
合计	1,423,911.79					1,423,911.79

## 2. Other receivables

*Unit: RMB*

<b>Item</b>	<b>Balance at end of year</b>	<b>Balance at beginning of year</b>
Interest receivable		
Dividends receivable		
Other receivables	249,998,637.00	252,990,813.19
Total	249,998,637.00	252,990,813.19

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

(1) Other receivables

1) Classification by nature

*Unit: RMB*

<b>Nature of accounts</b>	<b>Balance at end of year</b>	<b>Balance at beginning of year</b>
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00
Current account with subsidiaries	249,998,637.00	252,981,904.33
Others	365,996.40	374,905.26
Total	326,454,633.40	329,446,809.59

2) Provision for bad debts

Unit: RMB

Provision for bad debt	Phase I	Phase II	Phase III	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss (not credit impaired loans)	Lifetime expected credit loss (credit impaired loans)	
Balance at beginning of year			76,455,996.40	76,455,996.40
Balance at the beginning of the year:	—	—	—	—
– Transferred to Phase II				
--Transferred to Phase III				
– Reversed to Phase II				
– Reversed to Phase I				
Provision for the year				
Reversal for the year				
Resale for the year				
Charge off for the year				
Other changes				
Balance at end of year			76,455,996.40	76,455,996.40

## Disclosure by aging

*Unit: RMB*

Aging	Balance at end of year
Within 1 year	8,005,621.93
1 to 2 years	584,943.47
2 to 3 years	136,931,875.34
Over 3 years	180,932,192.66
3 to 4 years	25,226,840.04
Over 4 years	155,705,352.62
Total	326,454,633.40

## 3) Provisions for bad debts accrued, recovered or reversed in the current period

Provision for bad debts:

*Unit: RMB*

Category	Balance at beginning of year	Changes during the year				Balance at end of year
		Provision	Recoveries or reversals	Write-off Other changes	Others	
Other receivables	76,455,996.40					76,455,996.40
Total	76,455,996.40					76,455,996.40

4) Top five other receivables by debtor at the end of the year

Unit: RMB

Name of company	Nature of accounts	Balance at end of year	Aging	Proportion of the total balance of other receivables at the end of the year (%)	Balance of provision for bad debt at the end of the year
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Current account	111,966,322.32	Over 4 years	34.30%	
Great Talent Technology Limited Subsidiary Investment	Current account	79,298,247.36	Within 4 years	24.29%	
Benxi Iron & Steel (Group) Co., Ltd.	Current account (with litigation)	76,090,000.00	Over 4 years	23.31%	76,090,000.00
Shenyang Kaiyi Electric Co., Ltd.	Current account	44,983,538.13	Over 4 years	13.78%	
Fuxin Enclosed Busbar Co., Ltd.	Current account	7,498,813.28	3 年以内	2.30%	
Total	--	319,836,921.09	--	97.97%	76,090,000.00

3. Long-term equity investments

Unit: RMB

Item	Balance at end of year			Balance at beginning of year		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investment in subsidiaries	173,305,837.52	116,869,364.49	56,436,473.03	173,305,837.52	116,869,364.49	56,436,473.03
Investment in associates and joint ventures						
Total	173,305,837.52	116,869,364.49	56,436,473.03	173,305,837.52	116,869,364.49	56,436,473.03

(1) Investment in subsidiaries

Unit: RMB

Investee	Balance at beginning of year	Changes in this period				Provision for impairment this year	Balance of provision for impairment at the end of the year
		Increment	Decrement	Balance at end of year	Others		
Northeast Electric Development (HK) Co., Ltd.	53,757,001.09					53,757,001.09	102,942,450.54
Shenyang Kaiyi Electric Co., Ltd.							100,000.00
Great Talent Technology Limited Subsidiary Investment	2,679,471.94					2,679,471.94	13,826,913.95
Total	56,436,473.03					56,436,473.03	116,869,364.49

## XVI. Supplementary Information

### 1. Breakdown of extraordinary profit or loss for the year

Item	Amount	Remarks
Profit or loss on disposal of non-current assets		
Tax return/exemption with ultra vires approval/or no official approval		
Government grant taken into profit or loss for the period (except for those closely related to business of the Company and those granted by the government in fixed amount or quantity according to national standards)	962,600.82	
Fund appropriation fees charged on non-financial enterprise taken into profit or loss for the period		
Revenue generated when cost of investment is less than fair value of identifiable net assets acquired when acquiring subsidiary, associates, or joint venture		
Profit or loss of non-monetary asset swap		
Profit or loss from entrusting third party to invest or manage asset		
Provision for impairment on assets due to force majeure, such as natural disaster		
Profit or loss on debt restructuring		
Expenses on reorganization of enterprise, such as settlement expense for employees and combination expenses		
Profit or loss over difference between fair value and inappropriate transaction price		
Net profit or loss arising from business combination under common control in relation to the period from the beginning of the year to the date of combination		
Profit or loss by contingent events non-related to normal business of the Group		

Item	Amount	Remarks
Except for effective hedging related to the operation of the Company, profit or loss arising from changes in fair value of financial assets or liabilities held for trading, derivative financial assets or liabilities, and investment income from disposal of financial assets or liabilities held for trading, derivative financial assets or liabilities, as well as other debt investments		
Reversal of provision for accounts receivable and contract assets under separate impairment test		
Profit or loss on entrusted loans		
Profit or loss on subsequent measurement at fair value for investment properties		
Impact on current profit or loss by non-recurring adjustment according to laws and regulations on tax and accounting		
Trustee fee by entrusted operations		
Other non-operating incomes and expenses except for the above-mentioned	128,062.72	
Other items complying with definitions of extraordinary profit or loss		
Subtotal	1,090,663.54	
Amount of impact on income tax	-	
Impact on minority interests (after tax)	970.05	
Total	1,089,693.49	

Note: The “+” in the extraordinary profit or loss indicates the revenue and income, and the “-” indicates the loss or expenditure.

Extraordinary profit and loss of the Group are recognized in accordance with “Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public – Extraordinary Profit or Loss” (CSRC Announcement [2008] No. 43).

**2. Return on net assets and earnings per share**

Profit for the period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders		-0.02	-0.02
Net profit attributable to ordinary shareholders after deduction of extraordinary profit or loss		-0.02	-0.02

Note: There's no weighted average return on net assets in this period as weighted average net assets are in red.

*The Company's Chairman:*

**Shang Duoxu**

*Chief Financial Officer:*

**Mi Hongjie**

*Chief Accounting Officer:*

**Jin Muhan**

*Representatives of the Board*



**Su Weiguo**

*Executive Director*



**Mi Hongjie**

*Executive Director*

## Chapter 10 DOCUMENTS AVAILABLE FOR INSPECTION

- (I) The originals of financial statements signed and sealed by the Company representative, chief financial officer and head of financial department (accounting supervisor) of the Company;
- (II) The original audit report (if any) bearing the seal of the accounting firm and the signature and seal of the certified public accountant;
- (III) The originals of all Company documents and announcements publicly disclosed on the designated information disclosure platform during the reporting period.



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