INTERIM REPORT 2021

輸送光明和动力的桥梁

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

CONTENTS

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 Legal representative Zhu Jie, Chief Financial Officer Shang Duoxu and Chief Accounting Officer Jin Muhan hereby represent: guaranteeing the truthfulness, accurateness and integrity of the financial reports in the interim report.

1.3 This report has been considered and approved by the 25th meeting of the 9th Board convened on 30 August 2021. 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 2021 in accordance with the PRC GAAP and IFRS. The audit committee of the Board has reviewed and confirmed the Company's interim results announcement for 2021. 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 2021.

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

1.6 The consolidated turnover is RMB28,446,300.

1.7 The profit attributable to equity holders of the Company is RMB-11,819,700.

1.8 Earnings per share attributable to equity holders of the Company are RMB-0.0135.

1.9 Unless otherwise stated, Renminbi is the only monetary unit in this announcement.

1.11 Definitions

CSRC	China Securities Regulatory Commission
De facto controller of the Company	Hainan Liberation Commonweal Foundation
Beijing Haihongyuan	Beijing Haihongyuan Investment Management Co., Ltd., a substantial shareholder of the Company
NEE, the Company	Northeast Electric Development Company Limited
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
Shenyang Intermediate People's Court	Shenyang Municipal Intermediate People's Court of Liaoning
Hainan First Intermediate People's Court	The First Intermediate People's Court of Hainan Province
Hainan Provincial Higher Court	The Hainan Provincial Higher Court
Tiexi SASAB	Tiexi District State-owned Assets Supervision and Administration Bureau of Shenyang
Shenyang HVS, Shenyang High Voltage Switchgear	Shenyang High Voltage Switchgear Co., Ltd.

Chapter 2 CORPORATE PROFILE

2.1 Basic information

Stock abbreviation of A shares	*ST Northeast Electric	A shares stock code	000585
Place of the listing of A Shares	Shenzhen Stock Exchange		
Stock abbreviation of H shares	Northeast Electric	H shares stock code	0042
Place of the listing of H shares	The Stock Exchange of Hong Kong Limited		
Legal Chinese name	東北電氣發展股份有限公司		
Chinese abbreviation	東北電氣		
Legal English name	Northeast Electric Development Company Limited		
English abbreviation	NEE		
Legal representative	Zhu Jie		

2.2 Contact person and contact information

	Secretary to the Board	Representative for securities affairs
Name	Ding Jishi	Zhu Xinguang, Ju Meng
Address	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Telephone	0898-68876008	0898-68876008
Fax	0898-68876033	0898-68876033
Email	dbdqdshbgs@hnair.com	nemm585@sina.com

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
Office address	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Postal code	570203
Website	www.nee.com.cn
E-mail address	dbdqdshbgs@hnair.com

Chapter 3 PRINCIPAL FINANCIAL DATA AND INDICATORS

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

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 (RMB)	28,446,337.20	37,838,750.59	-24.82%
Net profits attributable to shareholders of the listed company (RMB)	-11,819,705.03	-11,818,431.23	N/A
Net profits attributable to shareholders of the listed company after extraordinary items (RMB)	-12,719,133.05	-13,119,309.96	N/A
Net cash flows arising from operating activities (RMB)	-8,835,387.64	61,702,699.13	N/A
Basic earnings per share (RMB/Share)	-0.0135	-0.0135	N/A
Diluted earnings per share (RMB/Share)	-0.0135	-0.0135	N/A
Weighted average return on net assets	N/A	N/A	N/A
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 (RMB)	143,979,973.17	157,525,808.79	-8.60%
Net assets attributable to shareholders of the listed company (RMB)	-198,674,376.15	-187,420,368.40	N/A

Extraordinary items

Unit: RMB

Item	Amount	Note
Government subsidy included in the current profits and losses (closely related to business of the enterprise, excluding the government subsidy enjoyed fully or quantitatively according to uniform standards of the country)	889,792.14	Compensation for the construction project of the new factory area of the policy-based demolition subsidiary
Other non-operating income and expense other than the above items	9,639.18	
Less: Effect of income tax	0.00	
Impact on minority interests (after tax)	3.30	
Total	899,428.02	

(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

Items	Reporting period (January-June)	The same period of previous year
Revenue	28,446	37,839
Profit before tax	(11,853)	(11,594)
Taxation	-	(280)
Profit after tax	(11,853)	(11,874)
Minority Interests	(33)	(56)
Profits attributable to shareholders	(11,820)	(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	143,980	157,896
Total liabilities	340,497	343,125
Shareholders' equity	(196,517)	(185,229)

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

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

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
I. Shares subject to trading moratorium	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%
II. Shares not subject to trading moratorium	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%
III. Total shares	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		48,805	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								
							Shares pledged or frozen	
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	Status of shares	Number
HKSCC Nominees Limited	Overseas legal person	29.44%	257,097,899	0	0	257,097,899		
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
Zhao Rui	Domestic natural person	0.75%	6,519,010	323,200	0	6,519,010		
Jin Lei	Domestic natural person	0.72%	6,255,710	-24,300	0	6,255,710		
Huang Tao	Domestic natural person	0.58%	5,042,700	37,591	0	5,042,700		
Fu Lianjun	Domestic natural person	0.57%	4,974,489	0	0	4,974,489		
Miao Haonan	Domestic natural person	0.51%	4,428,812	0	0	4,428,812		
Zhang Ping	Domestic natural person	0.46%	4,059,671	956,000	0	4,059,671		
Xu Lirong	Domestic natural person	0.46%	4,045,800	20,800	0	4,045,800		
Li Hui	Domestic natural person	0.44%	3,869,563	3,869,563	0	3,869,563		
A strategic investor or ordinary legal person becoming a top ten ordinary shareholder after placing of new shares (if any)	Nil							
Explanation on the connected relationship or concerted action of the above shareholders	So far as the Company is aware, there is no connected relationship among the above shareholders or are parties acting in concert as required in the Measures for the Administration of the Takeover of Listed Companies.							

Shareholdings of the top ten holders of ordinary shares not subject to trading moratorium			
Name of shareholder	**Number of ordinary shares held not subject to trading moratorium at the end of the reporting period**	**Type of shares**	
		Class of shares	**Number**
HKSCC Nominees Limited	257,097,899	Overseas listed foreign shares	257,097,899
Beijing Haihongyuan Investment Management Co., Ltd.	81,494,850	RMB ordinary shares	81,494,850
Zhao Rui	6,519,010	RMB ordinary shares	6,519,010
Jin Lei	6,255,710	RMB ordinary shares	6,255,710
Huang Tao	5,042,700	RMB ordinary shares	5,042,700
Fu Lianjun	4,974,489	RMB ordinary shares	4,974,489
Miao Haonan	4,428,812	RMB ordinary shares	4,428,812
Zhang Ping	4,059,671	RMB ordinary shares	4,059,671
Xu Lirong	4,045,800	RMB ordinary shares	4,045,800
Li Hui	3,869,563	RMB ordinary shares	3,869,563
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.		
Explanation on the top ten ordinary shareholders involved in securities margin trading business	Nil		

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 2021, 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 2021, the Company did not issue any convertible securities, options, warrants or any other similar right.

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 Changes in Directors, supervisors and senior management

Name	Position	Type	Date	Reason
Li Ming	Independent Director	Resigned	22 Jan. 2021	Personal health reasons
Liu Lu	Shareholder Representative Supervisor	Resigned	7 May 2021	Work adjustment
Li Zhengning	Independent Director	Elected	2 June 2021	Operational needs
Zhou Jinyang	Shareholder Representative Supervisor	Resigned	25 June 2021	Work adjustment
Zhu Jie	Chairman, Director	Resigned	23 July 2021	Work adjustment
Su Weiguo	General Manager	Elected	28 July 2021	Operational needs
Shang Duoxu	Chief Finance Officer	Elected	28 July 2021	Operational needs
Wang Kai	Deputy general manager, Chief Finance Officer	Resigned	28 July 2021	Work adjustment
Bao Zongbao	Director	Resigned	6 August 2021	Work adjustment
Shang Duoxu	Director	Elected	23 August 2021	Operational needs
Xing Zenghai	Shareholder Representative Supervisor	Elected	23 August 2021	Operational needs
Yang Qing	Shareholder Representative Supervisor	Elected	23 August 2021	Operational needs
Wu Rongyu	Employee Representative Supervisor	Elected	23 August 2021	Operational needs
Hu Tao	Employee Representative Supervisor	Resigned	23 August 2021	Work adjustment
Shang Duoxu	Chief Finance Officer	Elected	26 August 2021	Operational needs

5.3 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 2021, 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.

Chapter 6 SUMMARY OF BUSINESS

6.1 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. 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 and IFRS was RMB28,450,000, representing a decrease of 24.82% as compared to RMB37,840,000 for the corresponding period of the previous year; earnings attributable to shareholders after tax and minority interests amounted to RMB-11,819,700, with earnings per share of RMB-0.0135.

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 2021.

6.2 Business review for the first half of 2021

Looking back at the first half of 2021, under the strong leadership of major shareholders and the board of directors, Northeast Electric and its subsidiaries have overcome various disadvantages, strictly implemented various epidemic prevention measures, systematically implemented the safety production responsibility system, and promoted the resumption of work and production in an orderly manner. Work to achieve stable operation of business operations, and major special tasks are gradually advanced.

During the reporting period, the company achieved operating income of RMB28,450,000, a decrease of 24.82% from the same period last year and a year-on-year decrease of RM9.39 million.

The main production and operation work during the reporting period is as follows:

1. Taking new product development as an opportunity to increase orders by RMB38.18 million affected by the epidemic, Fuxin Busbar, the subsidiary, faced greater difficulties in ordering, payment collection, and on-site installation. Sales staff are not afraid of difficulties, do their utmost to protect customer needs, overcome various difficulties, face the retrograde of the epidemic, and use new product development as an opportunity to expand the market, increase the order quantity, and seize new markets against the trend. As of the end of the reporting period, a contract of RMB46.21 million was signed, an increase of RMB38.18 million from RMB8.03 million in the same period last year, which will provide guarantee for the company's future continuous operation.

2. Pay attention to management, reduce costs, and make careful calculations to increase benefits

   The company has held many meetings to reduce costs and increase efficiency. Faced with the skyrocketing prices of major raw materials, the company formulated cost-reduction measures, starting from design and procurement to control the source, formulating control measures for all consumption, and optimizing the design to reduce costs on a comparable basis.RMB850,000, through price comparison procurement, the purchase cost can be reduced by RMB480,000 under a comparable caliber. To ensure the realization of the annual production and operation goals through increasing revenue and reducing expenditure, focusing on management, reducing costs, and increasing benefits.

3. Establish various special debt collection working groups, increase the efforts of debt collection, accelerate the return of funds, and effectively guarantee the daily capital turnover needs.

4. Actively establish a typical craftsman spirit of excellence and continuous innovation

   Mr. Yang Qing, deputy chief engineer of Fuxin Busbar, a subsidiary, won the May 1st Labor Medal in Liaoning Province in 2021. The company established a model worker studio to promote innovation and improve business skills. By applying for the establishment of district-level and municipal-level model worker studios, and hosting of municipal-level skill competitions, we will strengthen the leadership of model workers, stimulate the enthusiasm of all employees, and make every effort to promote the resumption of work and production, so as to inspire their work enthusiasm and enthusiasm.

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. Special event risk

The new crown epidemic is still spreading on a global scale, bringing great uncertainty to the world economy and domestic and foreign trade and investment. The downward pressure on the world economy has intensified and uncertainties have increased significantly.

The company will continue to strictly implement the epidemic prevention and control work, actively identify all aspects of the impact of the new crown epidemic, and formulate effective operation and management measures to minimize the risk of the epidemic.

2. 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 half of 2021, 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.

3. 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.

4. Risk of strategic transformation

To facilitate the sustainable development of the Company in the mid and long term, 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 2021, 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 2020. 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 management, 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

Unit: RMB

Items	Amount for the reporting period	Amount for the same period of last year	Increase/decrease compared with the same period of last year	Reason for increase/decrease
Operating incomes	28,446,337.20	37,838,750.59	-24.82%	Busbar products are affected by the delivery date required by users, and the carryover income
Operating costs	19,329,133.16	26,403,071.53	-26.79%	Reduction in operating income and corresponding reduction in costs
Selling expenses	10,642,743.98	14,515,293.80	-26.68%	
Administrative expenses	9,650,603.99	9,990,199.47	-3.40%	
Financial expenses	524,743.03	-171,294.11	-406.34%	Due to no interest income from deposits of financial companies in the current period
Income tax expenses		280,256.09	-100.00%	Due to the loss of each company in the current period without the provision of income tax
Research and development expenses	728,861.03		100.00%	Subsidiary Fuxin Busbar R&D Expenditure
Net cash flow from operating activities	-8,835,387.64	61,702,699.13	-114.32%	Bank deposits of 55 million in the same period last year, none this year
Net cash flow from investing activities	4,000,000.00	-48,435,719.34	-108.26%	Resulted from the purchase of a minority stake in Chongqing HNA Hotel in the same period last year
Net cash flow from financing activities		-10,725,709.27	-100.00%	Due to the repayment of the principal and interest of short-term loans in the same period last year
Net increase of cash and cash equivalents	-4,826,830.38	2,575,299.44	-287.43%	Combined effect of all the above factors
Other income	889,792.14	668,955.66	33.01%	Subsidiary Fuxin Busbar deferred income amortization increased
Non-operating income	10,262.03	1,078,350.37	-99.05%	No income from termination compensation in this period
Non-operating expenses	622.85	2,017.55	-69.13%	Due to the decrease in late payment fees

7.3 Main business composition

7.3.1 Composition of operating income

Unit: RMB

Items	The reporting period		The same period of last year		Increase/decrease compared with the same period of last year
	Amount	Percentage of operating income	Amount	Percentage of operating income	
Total operating income	28,446,337.20	100%	37,838,750.59	100%	-24.82%
By industry					
Power transmission and transformation	18,430,388.22	64.79%	26,700,933.95	70.57%	-30.97%
Catering services	10,015,948.98	35.21%	11,137,816.64	29.43%	-10.07%
By product					
Enclosed busbars	18,430,388.22	64.79%	26,700,933.95	70.57%	-30.97%
Catering services	10,015,948.98	35.21%	11,137,816.64	29.43%	-10.07%
By region					
Northeast	3,153,078.54	11.08%	4124,713.88	10.90%	-23.56%
North China	4,514,428.00	15.87%	15,238,202.66	40.27%	-70.37%
Central China	5,659,126.09	19.89%	6,343,311.76	16.76%	-10.79%
East China	2,703,330.06	9.50%	889,396.86	2.35%	203.95%
South China	172,156.99	0.61%	4,450,938.02	11.76%	-96.13%
Southwest	10,015,948.98	35.21%	6,792,187.41	17.95%	47.46%
Northwest	2,228,268.54	7.83%	-	0.00%	100.00%

7.3.2 Industry, product or region accounting for more than 10% of the operating income or profit of the Company

Unit: RMB

Items	Operating income	Operating cost	Gross margin	Increase/ decrease in operating income compared with the same period of last year	Increase/ decrease in operating cost compared with the same period of last year	Increase/ decrease in gross margin compared with the same period of last year
By industry						
Power transmission and transformation	19,329,133.16	26,403,071.53	-26.79%	10,642,743.98	14,515,293.80	-26.68%
Catering services	10,015,948.98	2,985,964.40	70.19%	-10.07%	38.38%	-12.95%
By product						
Enclosed busbars	18,430,388.22	16,343,168.76	11.32%	-30.97%	-32.59%	23.04%
Catering services	10,015,948.98	2,985,964.40	70.19%	-10.07%	38.38%	-12.95%
By region						
Mainland China	28,446,337.20	19.329,133.16	32.05%	-24.82%	-26.79%	6.06%

Explanation on the increase/decrease of more than 30% compared with the same period of last year:

(1) Due to the impact of the delivery date, the closed bus business has reduced carry-over income and correspondingly reduced operating costs.

(2) Affected by the court's ruling to accept the reorganization of the hotel lessor and the entrusted party, the leasing contract and entrusted management contract signed in the previous period were passively terminated. This superimposed the impact of the epidemic on the benefits of the catering business, resulting in a reduction in operating income and a corresponding reduction in operating costs.

7.4 Significant changes in the composition of assets

Unit: RMB

Items	As at the end of the reporting period		As at the end of the same period of last year		Increase/ decrease (%)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	7,957,501.63	5.53%	12,912,725.07	8.20%	-2.67%	N/A
Account receivable	37,529,375.33	26.07%	32,293,932.13	20.50%	5.57%	N/A
Inventories	12,607,013.03	8.76%	16,710,311.95	10.61%	-1.85%	N/A
Fixed assets	43,221,747.71	30.02%	44,911,967.97	28.51%	1.51%	N/A
Right-of-use asset	11,773,883.20	8.18%	16,432,367.74	10.43%	-2.25%	N/A
Contract liabilities	4,895,854.19	3.40%	6,624,272.90	4.21%	-0.81%	N/A
Lease liability	11,876,867.44	8.25%	11,582,700.60	7.35%	0.90%	N/A

7.5 Assets and liabilities at fair value

An cumulative loss of RMB274,528,971.83 was recognised in previous years for underlying assets. As at the end of the reporting period, the fair value of such equity was RMB0.

7.6 Restricted assets as at the end of the reporting period

Unit: RMB

Item	Book value at the end of the year	Reasons for restriction
Cash at bank and on hand	4,248,422.30	Performance guarantee
Total	4,248,422.30	

7.7 Disposal of major assets

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

7.8 Analysis of major controlling company and invested company

Unit: RMB

Company name	Company type	Principal business	Registered capital	Total asset	Net asset	Operating income	Operating profit	Net profit
Northeast Electric Development (HK) Co., Ltd.	Subsidiary	Trading	USD20 million	67,323,209.20	53,128,868.52	0	-5,208.05	-5,208.05
Gaocai Technology Co., Ltd.	Subsidiary	Investment	USD1	79,412,629.53	4,585,663.24	0	-9,188.44	-9,188.44
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	Manufacturing of electrical equipment	RMB1 million	37,213,601.57	-56,131,225.42	0	-415,038.22	-405,615.25
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary	Manufacturing of enclosed busbars	USD8.5 million	55,318,651.68	-20,163,639.06	18,430,388.22	-4,680,013.04	-4,680,013.04
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Subsidiary	Public space business	RMB50 million	35,126,299.45	-124,761,342.68	10,015,948.98	-3,348,060.14	-3,347,730.40
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary	Electric power engineering	RMB10 million	13,265,414.29	6,879,677.21	0	-756.93	-756.93
HNA Tianjin Center Development Co., Ltd.	Invested company	Property leasing, hotel catering	RMB269,887,709	3,801,277,113.60	1,819,077,743.47	41,198,234.52	4,101,097.99	4,720,562.27
Chongqing HNA Hotel Investment Company Limited	Associate (limited liability company)	Property leasing	RMB50 million	313,927,852.44	173,201,460.16	4,150,225.14	3,103,606.20	3,103,606.20

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 2021, according to the relevant regulations, the Company's distributable reserve is RMB-2,006,878,787.06. Pursuant to the resolution approved at the Board meeting on 30 August 2021, 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, primarily because the secured loans borrowed from the Bank of China by our subsidiary Fuxin Busbar were settled.

Working capital and financial resources

The net cash generated from the Group's operating activities for the half year ended 30 June 2021 was approximately RMB-8,835,000.00 (The first half of 2020: net cash generated from operating activities of approximately RMB61,703,000).

As at 30 June 2021, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB7,958,000.00 (2020: RMB12,912,725.07) and had no bank loans (2020: bank loans of RMB0).

As of 30 June 2021, the Group had current liabilities of RMB219,523,000.00, non-current liabilities of RMB120,974,000.00, and shareholders'equity attributable to shareholders of the Company of RMB-198,674,000.00. 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 2021, the Group's short-term bank borrowings were nil, and the cash and cash equivalents were RMB3,709,000.00 (The first half of 2020: RMB77,103,000.00). 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 2021, 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 2021, the Group's gearing ratio (calculated as total liabilities/total assets) was 236.49% (2020: 217%).

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 2021, 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 2021, the number of employees on the payroll of the Company was 147. The total salary of employees was RMB6,100,000 in the first half of 2021 (the number of employees of the Group was 150 and the total salary of employees was RMB19,257,000 in 2020).

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 Explanation given by the Board on the relevant situation of the "Non-standard Audit Report" of the previous year

NEE has engaged Mazars Certified Public Accountants LLP as the auditor of the Company for the year of 2020. Mazars Certified Public Accountants LLP issued an unqualified audit report for the Company's financial report for 2020 with paragraphs regarding material uncertainties on the Company's ability to continue as a going concern.

(I) Matters relating to the audit opinion

NEE recorded accumulated net loss of RMB-1,995,343,315.68 and equity attributable to shareholders of the parent of RMB-187,420,368.40 at the end of 2020. As of 31 December 2020, NEE's current liabilities exceeded its current assets by RMB145,543,698.50. Meanwhile, the Company faced compensation of RMB94 million for resolved litigation cases. These matters indicate there are major uncertainties regarding the Company as a going concern, however, without any effect on the published audit opinions.

(II) Explanation given by the Board on the relevant situation of the "Non-standard Audit Report" of the previous year

The Board of the Company believes that the aforesaid audit opinions gave a true and fair view of the Company's actual financial position and disclosed the risks in the continuing operations of the Company. While evaluating whether the Group has sufficient financial resources to continue as a going concern, the Group has taken into account the future liquidity and its source of funds available. In order to enhance the Company's sustainable development capability and profitability, improve asset quality, promote its long-term and healthy development and strive to cancel the risk warning of delisting, the Company plans to take the following measures to improve its ability to continue as a going concern:

1. In early 2021, Beijing Haihongyuan, the parent of the Group, has issued a letter of commitment in respect to financial support and undertakes to unconditionally provide financial support for the Group, including providing funds, guarantees and otherwise to assist the Group in the replenishment of working capital, within two years from the issue date of the letter of commitment. Currently, Shenyang Kaiyi Electric Co., Ltd. ("Shenyang Kaiyi"), a wholly-owned subsidiary of the Company, has entered into a loan contract with Beijing Haihongyuan. In 2021, Beijing Haihongyuan 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.

2. The Company will further optimise the governance structure of the listed company, facilitate the management team to change their mindset and vigorously blaze new trails in a pioneering spirit and raise income and reduce expenditure. Additionally, it will stimulate the vitality, enthusiasm and creativity of the management team, drive business transformation by expanding new markets and developing new customers, and enhance the product innovation capability.

3. Financing channels in the capital market will be fully utilised. Relevant subsidiaries of the Company feature a favorable credit profile in the bank and financing records and have the ability to raise capital. Besides, they had paid loans off in the reporting period. They can apply for bank credits and loans in accordance with their business expansion. The listed company can still fully utilise financing policies for the capital market to probe into possible financing methods, though whether the restructuring of the indirect controlling shareholder, HNA Group, and its related parties will be successful remains uncertain. It can attract strategic investors, optimise the equity structure, raise working capital to support business transformation and supplement routine operations, actively expand new business segments and reinforce the core competitiveness and sustainability of the Company.

4. Thanks to the opportunities in the first year of the “14th Five year Plan”, favorable for the Company to fully recover and improve its main businesses. The business structure will be conscientiously adjusted in line with market changes and demands. The Company will accelerate its transformation to the modern service industry and optimise its overall layout. Furthermore, it will develop new customer bases, perfect and consolidate its sales system and build up the income scale of its main businesses.

5. To open up new development space, the Company will continue to regard its subsidiary, Hainan Garden Lane Flight Hotel Management Co., Ltd., as a platform to expand its business segments, further leverage strengths in market resources, talent advantage and outstanding brand value of the substantial shareholder in upstream and downstream hotel industries to actively conduct hotel business. New business will be earnestly developed, while consolidating the existing business scale. Thus, the business scope of the listed company will be expanded. The asset portfolio structure will be improved. New vitality will be injected into the continuing operation of the listed company.

6. The Company will proactively mobilise and tap into its own resources, intensify overall budget management and cost control, strictly control expenditure, reduce operating costs and maximise the profitability of main business.

7. The receivable of RMB9.04 million from the Haizhou House Expropriation Office of Fuxin is the land compensation for the South Plant of Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company. The Company will endeavor to recover the full amount in 2021 to supplement the demand for working capital of the Group.

8. In strict accordance with the Standardised Operation of Listed Companies, the Company will keep upgrading its working standards and improving its internal control system, establish a sound operation organisation across the Group and strengthetn internal control policies. Besides, it will develop robust risk control measures to mitigate operating risks and create a more feasible internal control system. It will eradicate the incidents that may damage the interests of the listed company and shareholders and strive to achieve its operating targets.

Through the above measures, the Company's management considers that it is reasonable to prepare the financial statements on a going concern basis. The Board has made a full and detailed assessment of the Group's ability to continue as a going concern, including reviewing the Group's working capital forecast for the next 12 months compiled by the management. It is believed that the Group can obtain sufficient sources of financing to ensure the need for working capital and capital expenditure. The Board recognised the compilation of these financial statements on a going concern basis by the management.

The Board will continue to pay attention to and supervise the management of the Company so that they take proactive and effective measures to improve the Company's ability to continue as a going concern and safeguard the legitimate rights and interests of the Company and investors.

8.7 Litigation

1. Tiexi District State-owned Assets Supervision and Administration Bureau of Shenyang vs. the Company for the payment of allowance for staff

The case has been transferred from Liaoning Shenyang Municipal Intermediate People's Court to the jurisdiction of the First Intermediate People's Court of Hainan Province (hereinafter referred to as "Hainan First Intermediate People's Court") on 11 February 2020 and has come to trial on 10 August 2020.

On 16 September 2020, the case was heard in the Hainan First Intermediate People's Court issued a civil written order ((2020) Qiong 96 Min Chu No.81). Hainan First Intermediate People's Court rejected the claim of the plaintiff which requested the defendant NEE to pay RMB28.53 million for arrears, interest and liquidated damages, because the statute of limitation expired and the defendant NEE raised a plead for the expiration of the statute of limitation. The plaintiff Tiexi SASAC subsequently filed an appeal application to the court during the appeal period. The Hainan Provincial Higher People's Court filed the case on 13 January 2021, and the second instance opened on 10 June 2021, and the Hainan Provincial Higher Court issued (2021) Qiong Min Zhong No. 36 Civil Judgment on 23 July 2021. The Hainan Provincial High Court judged as follows: (1) Uphold the second item of the Civil Judgment (2020) Qiong 96 Min Chu No. 81 of the First Intermediate People's Court of Hainan Province; (2) Change the first item of the Civil Judgment of Hainan Province First Intermediate People's Court (2020) Qiong 96 Min Chu No. 81 to " Within fifteen days from the day when this judgement comes into effect, the Defendant Shenyang High Voltage Switchgear Co., Ltd. shall pay the Plaintiff Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau of RMB28.53 million as well as the interest (interest is based on RMB28.53 million, calculated from 1 July 2012 to 19 August 2019, calculated and paid at the same period of the People's Bank of China loan interest rate; from 20 August 2019 to the day of payment, the payment will be calculated at the quoted interest rate of the loan market announced by the National Interbank Funding Center during the same period)".

This judgment is final.

2. 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.

3. 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 case has come to trial on Hainan First Intermediate People's Court on 25 January 2021. On 2 February 2021, Hainan First Intermediate People's Court issued a civil written order [(2019) Qiong 96 Min Chu No.381]. The Hainan First Intermediate People's Court held that the application made by the plaintiff for adding Northeast Electric as a person subject to enforcement for the case of [(2015) Fu Zhong Zhi Zi No.00140] is unfounded and lacks legal evidence, and the court will not support it. The plaintiff Fushun Electric Porcelain subsequently filed an appeal application to the court during the appeal period. Currently, the case is still under trial. Please refer to the announcement dated 7 February 2021.

4. 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) Supreme Law Implementation Ruling 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 20 May 2021, the Hainan Provincial No. 1 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 will be heard on 23 August 2021. Since the plaintiff of this case, Shenyang Kaiyi, is a wholly-owned subsidiary of the company, the court's judgment has no negative impact on the company's current profit at the consolidation level. Please refer to the media platforms for information disclosure designated by the Company for the Litigation Announcement (Announcement No.: 2021-036) issued on 21 May 2021.

8.8 Integrity of the Company, its controlling shareholders and de facto controller

The de facto controller of the Company is Hainan Liberation Commonweal Foundation. Through verifying the information published on CREDITCHINA.GOV.CN, the National Enterprise Credit Information Publicity System, and http://zxgk.court.gov.cn/, Hainan Liberation Commonweal Foundation, the de facto controller of the Company, has not been included in the List of Enterprises with Abnormal Business Operation, the list (blacklist) of or dishonest enterprises in material non-compliance with the laws or the list of persons subject to enforcement due to dishonesty.

Hainan Liberation Commonweal Foundation, the de facto controller of the Company, has not carried out external financing activities and has no behavior of dishonesty or breach of contract on debts.

8.9 Material connected transactions

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

8.9.2 Discloseable and connected transactions lease agreements

In order to enhance the going-concern ability and inject new vitality into the development of the hotel business, the Lease Agreements (where the Properties are leased for hotel business) entered into on 13 July 2021 by Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of Northeast Electric, and Dalian Changjiang Plaza Co., Ltd.* (大連長江廣場有限公司), Changchun Mingmen Hotel Co., Ltd.* (長春名門飯店有限公司), and Jilin Province Tourism Group Co., Ltd.* (吉林省旅遊集團有限責任公司) was considered and passed at the 22nd meeting of the ninth Northeast Electric Board of Directors and the second Extraordinary General Meeting of 2020. This transaction is beneficial (i) to boosting the Group's turnover and profitability in terms of its catering and accommodation services; (ii) for the Group to continue to utilise the Leased Properties for its hotel catering and accommodation services operations and realise diversification of operations of the Group; and (iii) optimise the Group's income and asset structure.

8.9.3 Transactions with related financial company

During the reporting period, as HNA Group Finance Company entered into the substantive consolidation and reorganization process with HNA Group, the Group converted the financial company's deposits into other receivables in fiscal year 2020 and fully accrued credit impairment losses. The declaration of relevant creditor's rights was completed in the first half of 2021.

8.10 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.

8.11 Significant contracts and their execution

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

8.12 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.

8.13 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, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Due to the resignation of Mr. Li Rui, the former general manager of the Company, Mr. Zhu Jie, the Chairman, is acting as the general manager now.

For more details on the implementation, please refer to the Corporate Governance Report disclosed in the Annual Report 2020. After the issuance of the annual report, the compliance and execution of the Code by the listed issuer remained unchanged.

8.14 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 2021 to 30 August 2021, 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 2020 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.

8.15 Others

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 2021 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 2021.

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 2021.

8.16 Subsequent events

None

Chapter 9 FINANCIAL STATEMENTS (PREPARED UNDER THE IFRS)

I. FINANCIAL STATEMENTS PREPARED UNDER THE IFRS

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Revenue	**28,446**	37,839
Cost of sales and services	**(19,329)**	(26,403)
Gross profit	**9,117**	11,436
Other revenue and other income	**900**	2,779
Selling expenses	**(10,643)**	(14,515)
Administrative and other operating expenses	**(10,702)**	(10,433)
Finance costs	**(525)**	(861)
Loss before taxation	**(11,853)**	(11,594)
Income tax expenses	**-**	(280)
Loss for the period	**(11,853)**	(11,874)

Condensed Consolidated Statement of Comprehensive Income *(Continued)*

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	**2020**
	(Unaudited)	**(Unaudited)**
	RMB'000	**RMB'000**
Other comprehensive income		
Items that are reclassified or may be reclassified subsequently to profit or loss		
Exchange difference on translation of foreign operations	**281**	111
Other comprehensive income for the period, net of tax	**281**	111
Total comprehensive loss for the period	**(11,572)**	(11,763)
Loss for the period attributable to:		
Equity holders of the Company	**(11,820)**	(11,818)
Non-controlling interests	**(33)**	(56)
Loss for the period	**(11,853)**	(11,874)
Total comprehensive loss for the period attributable to:		
Equity holders of the Company	**(11,539)**	(11,707)
Non-controlling interests	**(33)**	(56)
Total comprehensive loss for the period	**(11,572)**	(11,763)
Loss per share	***RMB cents***	*RMB cents*
Basic and diluted	**(1.35)**	(1.35)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Non-current assets		
Property, plant and equipment	**43,222**	44,912
Investment properties	**-**	13,187
Right-of-use assets	**11,774**	3,246
Land use right	**11,946**	12,078
Intangible assets	**-**	-
Goodwill	**-**	-
Interest in an associate	**-**	-
Designated FVOCI	**-**	-
Deposits	**-**	-
	66,942	73,423
Current assets		
Inventories	**12,607**	16,710
Trade, bills and rental receivables	**37,645**	32,294
Prepayment, deposits and other receivables	**17,975**	22,556
Tax recoverable	**854**	-
Cash at a financial institution	**-**	-
Cash at banks and in hand	**7,957**	12,913
	77,038	84,473

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2021

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Current liabilities		
Trade payables	**19,928**	21,819
Contract liabilities	**4,896**	6,624
Other payables	**177,159**	181,951
Employment benefits payables	**5,226**	4,754
Tax payables	**3,766**	3,914
Interest-bearing borrowings	**-**	-
Lease liabilities	**8,548**	10,954
	219,523	230,016
Net current liabilities	**(142,485)**	(145,543)
Total assets less current liabilities	**(75,543)**	(72,120)

Condensed Consolidated Statement of Financial Position *(Continued)*

As at 30 June 2021

	As at 30 June 2021 (Unaudited) RMB'000	As at 31 December 2020 (Audited) RMB'000
Non-current liabilities		
Provisions	**72,100**	72,100
Government grants	**36,997**	29,426
Lease liabilities	**11,877**	11,583
	120,974	113,109
NET LIABILITIES	**(196,517)**	(185,229)
Capital and reserves		
Share capital	**873,370**	873,370
Reserves	**(1,072,044)**	(1,060,789)
Equity attributable to equity holders of the Company	**(198,674)**	(187,419)
Non-controlling interests	**2,157**	2,190
TOTAL DEFICITS	**(196,517)**	(185,229)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Equity attributable to equity holders of the Company									
		Reserves								
	Share capital	Capital reserve	Surplus reserve	Investment revaluation reserve (non-recycling)	Exchange reserve	Accumulated losses	Total reserves	Sub-total	Non-controlling interests	Total equity
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
As at 1 January 2021	873,370	1,083,997	108,587	(231,194)	(26,836)	(1,995,343)	(1,060,789)	(187,419)	2,190	(185,229)
Loss for the period	-	-	-	-	-	(11,820)	(11,820)	(11,820)	(33)	(11,853)
Other comprehensive income										
Exchange differences on translation of foreign operations	-	-	-	-	281		281	281	-	281
Total other comprehensive income for the period	-	-	-	-	281	-	281	281		281
Total comprehensive loss for the period	-	-	-	-	281	(11,820)	(11,539)	(11,539)	(33)	(11,572)
Others										
Tax refund for previous years	-	-	-	-	-	284	284	284	-	284
As at 30 June 2021 (unaudited)	873,370	1,083,997	108,587	(231,194)	(26,555)	(2,006,879)	(1,072,044)	(198,674)	2,157	(196,517)

Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2020

	Equity attributable to equity holders of the Company									
		Reserves								
	Share capital	Capital reserve	Surplus reserve	Investment revaluation reserve (non-recycling)	Exchange reserve	Accumulated losses	Total reserves	Sub-total	Non-controlling interests	Total equity
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
As at 1 January 2020	873,370	1,082,848	108,587	(35,096)	(26,979)	(2,059,320)	(929,960)	(56,590)	5,483	(51,107)
Loss for the period	-	-	-	-	-	(11,818)	(11,818)	(11,818)	(55)	(11,873)
Other comprehensive income										
Exchange differences on translation of foreign operations	-	-	-	-	111	-	111	111	-	111
Total other comprehensive income for the period	-	-	-	-	111	-	111	111		111
Total comprehensive loss for the period	-	-	-	-	111	(11,818)	(11,707)	(11,707)	(56)	(11,762)
Transactions with equity holders of the Company										
Contributions and distributions:										
Shareholders' contributions	-	529	-	-	-	-	529	529	-	529
As at 30 June 2020 (unaudited)	873,370	1,083,377	108,587	(35,096)	(26,868)	(2,071,138)	(941,138)	(67,768)	5,428	(62,340)

Condensed Consolidated Statement of Changes in Equity *(Continued)*

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	**2020**
	(Unaudited)	**(Unaudited)**
	RMB'000	**RMB'000**
OPERATING ACTIVITIES		
Cash generated from (used in) operations	**(7,394)**	4,885
Income taxes paid	**(1,441)**	(1,025)
Interest received	**-**	992
Net cash generated from (used in) operating activities	**(8,835)**	4,852
Purchase of property, plant and equipment	**-**	-
Cash paid for investments	**-**	(48,436)
Proceeds from disposal of South Plant	**4,000**	-
Net cash used in investing activities	**4,000**	(48,436)
FINANCING ACTIVITIES		
Repayment of bank and other loans	**-**	(10,500)
Interest paid	**-**	(226)
Net cash used in financing activities	**-**	(10,726)
Net decrease in cash and cash equivalents	**(4,835)**	(54,310)
Cash and cash equivalents at the beginning of the reporting period	**8,536**	58,954
Effect on exchange rate changes on cash and cash equivalents	**8**	34
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	**3,709**	4,678

II. FINANCIAL STATEMENTS PREPARED UNDER THE PRC GAAP

I. Audit Report

Has the interim report been audited?

□Yes √ No

The interim report of the Company has not been audited.

II. Financial Statements

1 Consolidated Balance Sheet

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Current Assets:		
Cash at bank and on hand	**7,957,501.63**	12,912,725.07
Balances with clearing companies		
Lending to Banks and Other Financial Institutions		
Trading financial assets		
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes Receivable	**115,150.80**	
Accounts Receivable	**37,529,375.33**	32,293,932.13
Receivables Financing		
Prepayment	**688,832.48**	997,454.96
Premium Receivable		
Amounts receivable from reinsurers		
Provision for reinsurance contracts receivable		
Other Receivables	**17,286,000.02**	19,230,044.90
Incl: Interests Receivable		
Dividends Receivable		
Buying back the sale of financial assets		
Inventory	**12,607,013.03**	16,710,311.95

1 Consolidated Balance Sheet *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Contractual assets		
Assets held for sale		
Non-current asset due within 1 year		
Other current asset	**854,194.04**	1,958,726.08
Total current assets	**77,038,067.33**	**84,103,195.09**
Non-current Assets:		
Loans and advances		
Debt investment		
Available-for-sale financial assets		
Other debt investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Other equity instruments investments		
Other non-current financial assets		
Investment properties		
Fixed Assets	**43,221,747.71**	44,911,967.97
Construction in progress		
Productive biological assets		
Oil and gas assets		

1 Consolidated Balance Sheet *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Right-of-use assets	**11,773,883.20**	16,432,367.74
Intangible Assets	**11,946,274.93**	12,078,277.99
Research & development expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets		
Other non-current assets		
Total non-current assets	**66,941,905.84**	**73,422,613.70**
Total Assets	**143,979,973.17**	**157,525,808.79**

1 Consolidated Balance Sheet *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Current Liabilities:		
Short-term Borrowings		
Borrowing from the Central Bank		
Placements from banks and other financial institutions		
Trading financial liabilities		
Derivative financial liabilities		
Notes Payable		
Accounts Payable	**19,928,282.24**	21,344,941.14
Advances from customers		
Contractual liabilities	**4,895,854.19**	6,624,272.90
Financial assets sold under agreement to repurchase		
Customer deposits and deposits due to banks and other financial institutions		
Amounts of securities trading as agent		
Amounts of securities underwriting as agent		
Employee remuneration payable	**5,225,899.88**	4,753,756.28
Taxes Payable	**3,766,399.95**	4,744,439.95
Other Payables	**177,158,484.07**	181,225,923.07

1 Consolidated Balance Sheet *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Incl: Interests Payable		
Dividends Payable		
Handling charge and commission payable		
Amounts due to reinsurers		
Liabilities held for sale		
Non-current liabilities due within 1 year	**8,547,987.57**	10,953,560.25
Other current Liabilities		
Total current liabilities	**219,522,907.90**	229,646,893.59
Non-current liabilities:		
Provision for insurance contracts		
Long-term Borrowings		
Bonds Payable		
Incl: Preferred shares		
Perpetual bonds		
Lease liabilities	**11,876,867.44**	11,582,700.60
Long-term Payables		
Long-term employee remuneration payable		
Estimated Liabilities	**72,099,690.00**	72,099,690.00
Deferred income	**36,997,685.76**	29,425,846.58
Deferred tax liabilities		
Other Non-Current Liabilities		
Total Non-Current Liabilities	**120,974,243.20**	**113,108,237.18**
Total Liabilities	**340,497,151.10**	**342,755,130.77**

1 Consolidated Balance Sheet *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Shareholders' Equity:		
Share Capital	**873,370,000.00**	873,370,000.00
Other Equity Instruments		
Incl: Preferred shares		
Perpetual bonds		
Capital reserve	**1,083,997,337.88**	1,083,997,337.88
Less: Treasury Stocks		
Other Comprehensive Income	**-257,750,051.37**	-258,031,515.00
Special Reserve		
Surplus Reserve	**108,587,124.40**	108,587,124.40
Provision for general risk		
Retained profits	**-2,006,878,787.06**	-1,995,343,315.68
Total equity attributable to the owners of the Parent Company	**-198,674,376.15**	**-187,420,368.40**
Minority interests	**2,157,198.22**	2,191,046.42
Total shareholders' equity	**-196,517,177.93**	**-185,229,321.98**
Total liabilities and shareholders'equity	**143,979,973.17**	**157,525,808.79**

Legal representative:	*Chief Financial Officer:*	*Chief Accounting Officer:*
Zhu Jie	**Shang Duoxu**	**Jin Muhan**

Representatives of the Board

Zhu Jie

Executive Director

2 Balance Sheet of Parent Company

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Current Assets:		
Cash at bank and on hand	**5.68**	1,683.02
Trading financial assets		
Derivative financial assets		
Notes Receivable		
Accounts Receivable		
Receivables Financing		
Prepayment		
Other Receivables	**249,347,892.08**	251,656,394.15
Incl: Interests Receivable		
Dividends Receivable		
Inventory		
Contractual assets		
Assets held for sale		
Non-current asset due within 1 year		
Other current asset	**609,433.66**	581,337.61
Total current assets	**249,957,331.42**	**252,239,414.78**

2 Balance Sheet of Parent Company *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Non-current Assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	**56,436,473.03**	56,436,473.03
Other equity instruments investments		
Other non-current financial assets		
Investment properties		
Fixed Assets	**21,192.10**	22,737.04
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible Assets		
Research & development expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets		
Other non-current assets		
Total non-current assets	**56,457,665.13**	**56,459,210.07**
Total Assets	**306,414,996.55**	**308,698,624.85**

2 Balance Sheet of Parent Company *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Current Liabilities:		
Short-term Borrowings		
Trading financial liabilities		
Derivative financial liabilities		
Notes Payable		
Accounts Payable		
Advances from customers		
Contractual liabilities	**581,743.59**	581,743.59
Employee remuneration payable	**2,847,031.94**	1,860,964.74
Taxes Payable	**221,741.64**	219,991.85
Other Payables	**158,949,917.21**	158,816,321.38
Incl: Interests Payable		
Dividends Payable		
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current Liabilities		
Total current liabilities	**162,600,434.38**	**161,479,021.56**

2 Balance Sheet of Parent Company *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Non-current liabilities:		
Long-term Borrowings		
Bonds Payable		
Incl: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term Payables		
Long-term employee remuneration payable		
Estimated Liabilities	**72,099,690.00**	72,099,690.00
Deferred income		
Deferred tax liabilities		
Other Non-Current Liabilities		
Total Non-Current Liabilities	**72,099,690.00**	**72,099,690.00**
Total Liabilities	**234,700,124.38**	**233,578,711.56**

2 Balance Sheet of Parent Company *(Continued)*

Prepared by: Northeast Electric Development Co., Ltd.

30 June 2021

Unit: RMB

Items	30 June 2021	31 December 2020
Shareholders' Equity:		
Share Capital	**873,370,000.00**	873,370,000.00
Other Equity Instruments		
Incl: Preferred shares		
Perpetual bonds		
Capital reserve	**996,869,700.23**	996,869,700.23
Less: Treasury Stocks		
Other Comprehensive Income		
Special Reserve		
Surplus Reserve	**108,587,124.40**	108,587,124.40
Retained profits	**-1,907,111,952.46**	-1,903,706,911.34
Total shareholders' equity	**71,714,872.17**	**75,119,913.29**
Total liabilities and shareholders'equity	**306,414,996.55**	**308,698,624.85**

3 Consolidated Income Statement of the Reporting Period

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Total Operating Revenue	**28,446,337.20**	**37,838,750.59**
Incl.: Operating income	28,446,337.20	37,838,750.59
Interest income		
Earned premium		
Handling charges and commission income		
II. Total Operating Cost	**41,199,321.75**	**51,178,021.60**
Incl.: Operating cost	19,329,133.16	26,403,071.53
Interest expenses		
Handling charges and commission expense		
Surrenders		
Net compensation payout		
Net provision for insurance contracts		
Expenditures for insurance policy dividend		
Reinsurance cost		
Taxes & Surcharges	323,236.56	440,750.91
Selling expenses	10,642,743.98	14,515,293.80
Administrative expenses	9,650,603.99	9,990,199.47
R&D expenses	728,861.03	

3 Consolidated Income Statement of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Finance expenses	524,743.03	-171,294.11
Incl: Interest expenses	493,915.35	824,460.43
Interest Income	6,951.90	1,031,574.82
Plus: Other income	889,792.14	668,955.66
Investment income (loss is indicated by "–")		
Incl: Investment income from associates and joint ventures		
Derecognition of Income from financial assets at amortised cost (loss indicated by "–")		
Exchange gains (loss indicated by "–")		
Net gains from hedging exposure (loss is indicated by "–")		
Gains from change in fair value (loss is indicated by "–")		
Credit impairment loss (loss indicated by "–")		
Assets impairment loss (loss indicated by "–")		
Gains from asset disposal (loss is indicated by "–")		
III. Operational Profit (Loss is indicated as "–")	**-11,863,192.41**	**-12,670,315.35**
Plus: Non-operating income	10,262.03	1,078,350.37
Less: Non-operating expenses	622.85	2,017.55
IV. Total Profit (Total loss is indicated as "–")	**-11,853,553.23**	**-11,593,982.53**
Less: Income tax expenses		280,256.09

3 Consolidated Income Statement of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
V. Net Profit (Net loss is indicated as "–")	**-11,853,553.23**	**-11,874,238.62**
(I) Classification by operating continuity		
1.Net profit from continuing operations (net loss is indicated by "–")	-11,853,553.23	-11,874,238.62
2.Net profit from discontinued operations (net loss is indicated by "–")		
(II) Classification by ownership		
1.Net profit attributable to owners of the Parent Company	-11,819,705.03	-11,818,431.23
2.Minority interests	-33,848.20	-55,807.39
VI. Net Other Comprehensive Income after tax	**281,463.63**	**111,614.78**
Other net comprehensive income after tax attributable to owners of the Parent Company	281,463.63	111,614.78
(I) Other comprehensive income that cannot be reclassified into profit or loss		
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		
3. Changes in fair value of other equity instruments investment		
4. Change in fair value of the Enterprise's own credit risk		
5. Others		

3 Consolidated Income Statement of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
(II) Other comprehensive income that will be re-classified into profit or loss	281,463.63	111,614.78
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		
2. Change in fair value of other debt investments		
3. Financial assets reclassified into other comprehensive income		
4. Credit impairment provision for other debt investments		
5. Reserve for cash flow hedging		
6. Exchange rate differences of financial statements denominated in foreign currency	281,463.63	111,614.78
7. Others		
Other net comprehensive income after tax attributable to minority interests		
VII. Total Comprehensive Income	**-11,572,089.60**	**-11,762,623.84**
Total Comprehensive Income Attributable to the owners of the Parent Company	-11,572,089.60	-11,706,816.45
Total Comprehensive Income Attributable to the minority Interests		-55,807.39
VIII. Earnings per share		
(I) Basic earnings per share	-0.0135	-0.0135
(II) Diluted earnings per share	-0.0135	-0.0135

4 Income Statement of Parent Company of the Reporting Period

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Operating Income	**0.00**	**0.00**
Less: Operating cost	0.00	0.00
Taxes & Surcharges		
Selling expenses		
Administrative expenses	3,403,447.33	2,478,916.69
R&D expenses		
Finance expenses	1,680.26	3,552.50
Incl: Interest expenses		
Interest Income	11.67	0.44
Plus: Other income		
Investment income (loss is indicated by "–")		
Incl: Investment income from associates and joint ventures		
Derecognition of Income from financial assets at amortised cost (loss indicated by "–")		
Net gains from hedging exposure (loss is indicated by "–")		
Gains from changes in fair value (loss is indicated by "–")		
Credit impairment loss (loss indicated by "–")		
Assets impairment loss (loss indicated by "–")		
Gains from asset disposal (loss is indicated by "–")		

4 Income Statement of Parent Company of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
II. Operational Profit (Loss is indicated as "–")	**-3,405,127.59**	**-2,482,469.19**
Plus: Non-operating income		0.07
Less: Non-operating expenses	113.53	
III. Total Profit (Total loss is indicated as "–")	**-3,405,241.12**	**-2,482,469.12**
Less: Income tax expenses		
IV. Net Profit (Net loss is indicated as "–")	**-3,405,241.12**	**-2,482,469.12**
(I) Net profit from continuing operations (net loss is indicated by "–")	-3,405,241.12	-2,482,469.12
(II) Net profit from discontinued operations (net loss is indicated by "–")		
V. Net Other Comprehensive Income after tax		
(I) Other comprehensive income that cannot be reclassified into profit or loss		
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		
3. Changes in fair value of other equity instruments investment		
4. Change in fair value of the Enterprise's own credit risk		
5. Others		

4 Income Statement of Parent Company of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
(II) Other comprehensive income that will be re-classified into profit or loss		
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		
2. Change in fair value of other debt investments		
3. Financial assets reclassified into other comprehensive income		
4. Credit impairment provision for other debt investments		
5. Reserve for cash flow hedging		
6. Exchange rate differences of financial statements denominated in foreign currency		
7. Others		
VI. Total Comprehensive Income	**-3,405,241.12**	**-2,482,469.12**
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5 Consolidated Cash Flow Statement from Beginning of the Year to End of the Reporting Period

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities		
Cash from sale of goods and rendering of services	**24,060,988.70**	34,140,434.98
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash received as premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in policyholder deposits and investment funds		
Cash received as interests, handling charges and commissions		992,292.57
Net increase in placements from banks and other financial institutions		
Net increase in funds of repurchase business		
Net cash received from securities trading agency services		
Tax rebates received	**133,085.13**	
Cash received from other operating activities	**5,712,670.15**	83,322,917.49
Sub-total of cash inflows from operating activities	**29,906,743.98**	**118,455,645.04**

5 Consolidated Cash Flow Statement from Beginning of the Year to End of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash paid to goods purchased and labor service received	**19,732,466.20**	25,687,390.51
Net increase in loans and advances to customers		
Net increase in deposits with central bank and other financial institutions		
Cash paid for original insurance contract claims		
Net increase in loans to banks and other financial institutions		
Cash paid for interest, handling charges and commissions		5,815.57
Cash paid for policyholder dividend		
Cash paid to and for employees	**9,659,002.04**	8,625,644.27
Payment of various taxes	**1,440,956.48**	1,024,700.09
Cash paid for other operating activities	**7,909,706.90**	21,409,395.47
Sub-total of cash outflows for operating activities	**38,742,131.62**	**56,752,945.91**
Net Cash Flow from operating activities	**-8,835,387.64**	**61,702,699.13**
II. Cash flow from investing activities		
Cash received upon disposal of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**4,000,000.00**	
Net cash received upon disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities	**4,000,000.00**	

5 Consolidated Cash Flow Statement from Beginning of the Year to End of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		
Cash paid for investment		48,435,719.34
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid for other Investing activities		
Sub-total of cash outflows from investing activities		**48,435,719.34**
Net Cash Flow from investing activities	**4,000,000.00**	**-48,435,719.34**
III. Cash flow from financing activities		
Cash received from absorbing investment		
Incl: cash received by subsidiaries from minority shareholders		
Cash received from borrowings		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for repayments of debts		10,500,000.00
Cash paid for dividends, profit distributions or interest payment		225,709.27

5 Consolidated Cash Flow Statement from Beginning of the Year to End of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Incl: dividend and profit paid to minority shareholders by subsidiaries		
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities		**10,725,709.27**
Net Cash Flow from financing activities		**-10,725,709.27**
IV. Effect of foreign exchange rate changes on cash and cash equivalents	**8,557.26**	34,028.92
V. Net increase of cash and cash equivalent	**-4,826,830.38**	2,575,299.44
Plus: Balance of cash and cash equivalents at the beginning of the period	**8,535,909.71**	74,527,767.65
VI. Balance of cash and cash equivalents at the end of the period	**3,709,079.33**	**77,103,067.09**

6 Cash Flow Statement of Parent Company from Beginning of the Year to End of the Reporting Period

Unit: RMB

Items	Amount for the current period	Amount for the previous period
I. Cash flow from operating activities		
Cash from sale of goods and rendering of services		
Tax rebates received		
Cash received from other operating activities	2,682,290.28	3,020,491.01
Sub-total of cash inflows from operating activities	**2,682,290.28**	**3,020,491.01**
Cash paid to goods Purchased and labor service received		
Cash paid to and for employees	1,889,853.30	2,009,400.18
Payment of various taxes		
Cash paid for other operating activities	794,114.32	1,007,819.42
Sub-total of cash outflows for operating activities	**2,683,967.62**	**3,017,219.60**
Net Cash Flow from operating activities	**-1,677.34**	**3,271.41**

6 Cash Flow Statement of Parent Company from Beginning of the Year to End of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
II. Cash flow from investing activities		
Cash received upon disposal of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received upon disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities		
Cash paid for acquisition 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		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities		
Net Cash Flow from investing activities		

6 Cash Flow Statement of Parent Company from Beginning of the Year to End of the Reporting Period *(Continued)*

Unit: RMB

Items	Amount for the current period	Amount for the previous period
III. Cash flow from financing activities		
Cash received from absorbing investment		
Cash received from borrowings		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for repayments of debts		
Cash paid for dividends, profit distributions or interest payment		
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities		
Net Cash Flow from financing activities		
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase of cash and cash equivalent	**-1,677.34**	**3,271.41**
Plus: Balance of cash and cash equivalents at the beginning of the period	1,683.02	893.51
VI. Balance of cash and cash equivalents at the end of the period	**5.68**	**4,164.92**

7 Consolidated Statement of Changes in Shareholders' Equity

Amount for current period

Unit: RMB

Items	The first half of 2021														
	Equity attributable to shareholders of the parent													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Sustainable debts	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal		
I. Closing balance of the preceding year	873,370,000.00				1,083,997,337.88		-258,031,515.00		108,587,124.40		-1,995,343,315.68		-187,420,368.40	2,191,046.42	-185,229,321.98
Add: Changes of accounting policies															
Correction of prior period errors															
Business combination under common control															
Others															
II. Opening balance of the current year	873,370,000.00				1,083,997,337.88		-258,031,515.00		108,587,124.40		-1,995,343,315.68		-187,420,368.40	2,191,046.42	-185,229,321.98
III. Changes for the period (decrease presented by "–" prefix)							281,463.63				-11,535,471.38		-11,254,007.75	-33,848.20	-11,287,855.95
A. Total comprehensive income							281,463.63				-11,819,705.03		-11,538,241.40	-33,848.20	-11,572,089.60
B. Shareholders' contribution and capital decline															
1. Contribution by shareholders of oridinary shares															
2. Contribution by holders of other equity instruments															
3. Share-based payments directly recognised in equity															
4. Others															

7 Consolidated Statement of Changes in Shareholders' Equity *(Continued)*

Amount for current period *(Continued)*

Unit: RMB

Items	The first half of 2021														
	Equity attributable to shareholders of the parent													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal		
		Preferred shares	Sustainable debts	Others											
C. Profit distribution											284,233.65		284,233.65		284,233.65
1. Recognition of surplus reserves															
2. Recognition of provision for general risks															
3. Distribution to shareholders															
4. Others											284,233.65		284,233.65		284,233.65
D. Movements within equity															
1. Capital reserves transferred to capital (or share capital)															
2. Surplus reserves transferred to capital (or share capital)															
3. Loss set-off by surplus reserves															
4. Set the benefit plan change amount to carry forward retained earnings															
5. Other comprehensive income carry-over retained earnings															
6. Others															

7 Consolidated Statement of Changes in Shareholders' Equity *(Continued)*

Amount for current period *(Continued)*

Unit: RMB

Items	The first half of 2021														
	Equity attributable to shareholders of the parent													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal		
		Preferred shares	Sustainable debts	Others											
E. Designated reserves															
1. Recognition during the current period															
2. Withdrawal during the current period															
F. Others															
IV. Closing balance of the current period	873,370,000.00				1,083,997,337.88		-257,750,051.37		108,587,124.40		-2,006,878,787.06		-198,674,376.15	2,157,198.22	-196,517,177.93

7 Consolidated Statement of Changes in Shareholders' Equity *(Continued)*

Amount for last period

Unit: RMB

Items	The first half of 2020														
	Equity attributable to equity holders of the Company													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Sustainable debts	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal		
I. Closing balance of the preceding year	**873,370,000.00**				**1,082,848,805.11**		**-62,076,254.02**		**108,587,124.40**		**-2,059,319,937.47**		**-56,590,261.98**	**5,483,407.13**	**-51,106,854.85**
Add: Changes of accounting policies															
Correction of prior period errors															
Business combination under common control															
Others															
II. Opening balance of the current year	**873,370,000.00**				**1,082,848,805.11**		**-62,076,254.02**		**108,587,124.40**		**-2,059,319,937.47**		**-56,590,261.98**	**5,483,407.13**	**-51,106,854.85**
III. Changes for the period (decrease presented by "–" prefix)					**528,612.48**		**111,614.78**				**-11,818,431.23**		**-11,178,203.97**	**-55,807.39**	**-11,234,011.36**
A. Total comprehensive income							111,614.78				-11,818,431.23		-11,706,816.45	-55,807.39	-11,762,623.84
B. Shareholders' contribution and capital decline					528,612.48								528,612.48		528,612.48
1. Contribution by shareholders of ordinary shares															
2. Contribution by holders of other equity instruments															
3. Share-based payments directly recognised in equity															
4. Others					528,612.48								528,612.48		528,612.48

7 Consolidated Statement of Changes in Shareholders' Equity *(Continued)*

Amount for last period *(Continued)*

Unit: RMB

Items	The first half of 2020														
	Equity attributable to equity holders of the Company													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal		
		Preferred shares	Sustainable debts	Others											
C. Profit distribution															
1. Recognition of surplus reserves															
2. Recognition of provision for general risks															
3. Distribution to shareholders															
4. Others															
D. Movements within equity															
1. Capital reserves transferred to capital (or share capital)															
2. Surplus reserves transferred to capital (or share capital)															
3. Loss set-off by surplus reserves															
4. Set the benefit plan change amount to carry forward retained earnings															
5. Other comprehensive income carry-over retained earnings															
6. Others															

7 Consolidated Statement of Changes in Shareholders' Equity *(Continued)*

Amount for last period *(Continued)*

Unit: RMB

Items	The first half of 2020														
	Equity attributable to equity holders of the Company													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Others	Subtotal		
		Preferred shares	Sustainable debts	Others											
E. Designated reserves															
1. Recognition during the current period															
2. Withdrawal during the current period															
F. Others															
IV. Closing balance of the current period	873,370,000.00				1,083,377,417.59		-61,964,639.24		108,587,124.40		-2,071,138,368.70		-67,768,465.95	5,427,599.74	-62,340,866.21

8 Statement of Changes in Shareholders' Equity of the Parent

Amount for current period

Unit: RMB

Item	The first half of 2021											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
I. Closing balance of the preceding year	**873,370,000.00**				**996,869,700.23**				**108,587,124.40**	**-1,903,706,911.34**		**75,119,913.29**
Add: Changes of accounting policies												
Correction of prior period errors												
Others												
II. Opening balance of the current year	**873,370,000.00**				**996,869,700.23**				**108,587,124.40**	**-1,903,706,911.34**		**75,119,913.29**
III. Changes for the period (decrease presented by "–" prefix)										**-3,405,041.12**		**-3,405,041.12**
A. Total comprehensive income												
B. Shareholders' contribution and capital decline										-3,405,041.12		-3,405,041.12
1. Contribution by shareholders of oridinary shares												
2. Contribution by holders of other equity instruments												
3. Share-based payments directly recognised in equity												
4. Others												

8 Statement of Changes in Shareholders' Equity of the Parent *(Continued)*

Amount for current period *(Continued)*

Unit: RMB

Item	The first half of 2021											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
C. Profit distribution												
1. Recognition of surplus reserves												
2. Distribution to shareholders												
3. Others												
D. Movements within equity												
1. Capital reserves transferred to capital (or share capital)												
2. Surplus reserves transferred to capital (or share capital)												
3. Loss set-off by surplus reserves												
4. Set the benefit plan change amount to carry forward retained earnings												
5. Other comprehensive income carry-over retained earnings												
6. Others												

8 Statement of Changes in Shareholders' Equity of the Parent *(Continued)*

Amount for current period *(Continued)*

Unit: RMB

Item	The first half of 2021											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
E. Designated reserves												
1. Recognition during the current period												
2. Withdrawal during the current period												
F. Others												
IV. Closing balance of the current period	873,370,000.00				996,869,700.23				108,587,124.40	-1,907,111,952.46		71,714,872.17

8 Statement of Changes in Shareholders' Equity of the Parent *(Continued)*

Amount for last period

Unit: RMB

Item	The first half of 2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
I. Closing balance of the preceding year	**873,370,000.00**				**995,721,167.46**				**108,587,124.40**	**-2,073,438,269.53**		**-95,759,977.67**
Add: Changes of accounting policies												
Correction of prior period errors												
Others												
II. Opening balance of the current year	**873,370,000.00**				**995,721,167.46**				**108,587,124.40**	**-2,073,438,269.53**		**-95,759,977.67**
III. Changes for the period (decrease presented by "–" prefix)					**528,612.48**					**-2,482,469.12**		**-1,953,856.64**
A. Total comprehensive income										-2,482,469.12		-2,482,469.12
B. Shareholders' contribution and capital decline					528,612.48							528,612.48
1. Contribution by shareholders of oridinary shares												
2. Contribution by holders of other equity instruments												
3. Share-based payments directly recognised in equity												
4. Others					528,612.48							528,612.48

8 Statement of Changes in Shareholders' Equity of the Parent of the Parent *(Continued)*

Amount for last period *(Continued)*

Unit: RMB

Item	The first half of 2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
C. Profit distribution												
1. Recognition of surplus reserves												
2. Distribution to shareholders												
3. Others												
D. Movements within equity												
1. Capital reserves transferred to capital (or share capital)												
2. Surplus reserves transferred to capital (or share capital)												
3. Loss set-off by surplus reserves												
4. Set the benefit plan change amount to carry forward retained earnings												
5. Other comprehensive income carry-over retained earnings												
6. Others												

8 Statement of Changes in Shareholders' Equity of the Parent *(Continued)*

Amount for last period *(Continued)*

Unit: RMB

Item	The first half of 2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Retained earnings	Others	Total shareholders' equity
		Preferred shares	Sustainable debts	Others								
E. Designated reserves												
1. Recognition during the current period												
2. Withdrawal during the current period												
F. Others												
IV. Closing balance of the current period	873,370,000.00				996,249,779.94				108,587,124.40	-2,075,920,738.65		-97,713,834.31

III. Company Profile

Northeast Electric Development Co., Ltd. (“the Company” or “Company”) was officially founded on 18 February 1993 with 824.54 million shares which were adjusted to 585.42 million shares in 1995. 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 located at Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center, Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province, and its office address is located at New HNA Building, No. 7 Guoxing Avenue, Meilan District, Haikou City, Hainan Province.

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

The financial statements were approved through the resolution on 30 August 2021 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”), while the ultimate controlling party of the Company is Hainan Province Cihang Foundation.

In the first half of 2021, the results of 6 subsidiaries of the Group have been consolidated. Please see Note 9 “Equity in other entities”. There is no change in the Group’s consolidation scope this year compared with last year.

IV. Basis of Preparation of Financial Statements

2.1 Basis 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, amended by Decree No.76 of the Ministry of Finance – and 42 Specific Accounting Standards issued by the Ministry of Finance on 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.

2.2 Continuing operations

At 30, June 2021, the Company had a cumulative net loss of RMB-2,006,878,787.06, the equity attributable to shareholders of the parent company was RMB-198,674,376.15, and as of 30, June 2021, current liabilities were RMB142,484,840.57 more than current assets. In the meantime, the aggregate compensation for resolved litigation has amounted to RMB94 million. 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. In order to enhance the Company's sustainable development capability and profitability, improve asset quality, promote its long-term and healthy development and strive to cancel the risk warning of delisting, the Company plans to take the following measures to improve its ability to continue as a going concern:

(1) In early 2021, Haihongyuan, the parent of the Group, has issued a letter of commitment in respect to financial support and undertakes to unconditionally provide financial support for the Group, including providing funds, guarantees and otherwise to assist the Group in the replenishment of working capital, within two years from the issue date of the letter of commitment. Currently, Shenyang Kaiyi Electric Co., Ltd. ("Shenyang Kaiyi"), a wholly-owned subsidiary of the Company, has entered into a loan contract with Haihongyuan. In 2021, Haihongyuan 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.

(2) The Company will further optimise the governance structure of the listed company, facilitate the management team to change their mindset and vigorously blaze new trails in a pioneering spirit and raise income and reduce expenditure. Additionally, it will stimulate the vitality, enthusiasm and creativity of the management team, drive business transformation by expanding new markets and developing new customers, and enhance the product innovation capability.

(3) Financing channels in the capital market will be fully utilised. Relevant subsidiaries of the Company feature a favorable credit profile in the bank and financing records and have the ability to raise capital. Besides, they had paid loans off in the reporting period. They can apply for bank credits and loans in accordance with their business expansion. The listed company can still fully utilise financing policies for the capital market to probe into possible financing methods, though whether the restructuring of the indirect controlling shareholder, HNA Group, and its related parties will be successful remains uncertain. It can attract strategic investors, optimise the equity structure, raise working capital to support business transformation and supplement routine operations, actively expand new business segments and reinforce the core competitiveness and sustainability of the Company.

(4) Thanks to the opportunities in the first year of the "14th Five-year Plan", favorable for the Company to fully recover and improve its main businesses. The business structure will be conscientiously adjusted in line with market changes and demands. The Company will accelerate its transformation to the modern service industry and optimise its overall layout. Furthermore, it will develop new customer bases, perfect and consolidate its sales system and build up the income scale of its main businesses.

(5) To open up new development space, the Company will continue to regard its subsidiary, Hainan Garden Lane Flight Hotel Management Co., Ltd., as a platform to expand its business segments, further leverage strengths in market resources, talent advantage and outstanding brand value of the substantial shareholder in upstream and downstream hotel industries to actively conduct hotel business. New business will be earnestly developed, while consolidating the existing business scale. Thus, the business scope of the listed company will be expanded. The asset portfolio structure will be improved. New vitality will be injected into the continuing operation of the listed company.

(6) The Company will proactively mobilise and tap into its own resources, intensify overall budget management and cost control, strictly control expenditure, reduce operating costs and maximise the profitability of main business.

(7) As mentioned in note VI.4(6), the receivable of RMB9.04 million from the Haizhou House Expropriation Office of Fuxin is the land compensation for the South Plant of Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company. The Company will endeavor to recover the full amount in 2021 to supplement the demand for working capital of the Group.

(8) In strict accordance with the Standardised Operation of Listed Companies, the Company will keep upgrading its working standards and improving its internal control system, establish a sound operation organisation across the Group and strengthen internal control policies. Besides, it will develop robust risk control measures to mitigate operating risks and create a more feasible internal control system. It will eradicate the incidents that may damage the interests of the listed company and shareholders and strive to achieve its operating targets.

With the aforesaid measures, the Management of the Group deems it reasonable to prepare the financial statements on the assumption of continuous operations. The Board of Directors has conducted thorough evaluation of the Group's continuous operation ability by reviewing the working capital forecasts of the Group in the following 12 months prepared by the Management, and has reached the conclusion that the Group will be able to acquire enough funding resources to ensure working capital and expensing needs. Therefore, the Board of Directors has agreed with the preparation of the financial statements on the basis of continuous operations.

V. Significant Accounting Policies and Accounting Estimates

Specific notes for 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 5.29 "Significant accounting judgments and estimates".

5.1 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 as at 30 June 2021 and the operating results, cash flows and other information for the first half of 2021. In addition, all material aspects of the financial statements of the Company 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.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.5.1 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.

5.5.2 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 attributable to the business combination such as audit fee, legal service fee, consultancy fee and other intermediate expenses as well as other management fees 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 acquiree's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill; where the cost of combination is lower than the acquiree's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current year after a review of computation.

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, if, within 12 months from the acquisition date, there is a new or further evidence indicating that relevant conditions existed on the acquisition date, and the economic benefits from the deductible temporary differences acquired from the acquiree on the acquisition date are expected to be realized, 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 Note 5.6(2) "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 5.14 "Long term equity investment"; when the business combination is not regarded as "a bundle of transactions", the accounting treatment for the business combination in company's 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 interest 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.

5.6 Preparation method of consolidated financial statements

5.6.1 Principles for determining the scope of consolidated financial statements

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 of the definition of control mentioned above changes due to facts or circumstances change.

5.6.2 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 interest 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 interest in the subsidiary is accounted on the same basis as the acquiree 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 5.14 "Long-term equity investments" or Note 5.10 "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 terms, conditions and economic effects 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; (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 Note 5.14(2)(iv) "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.

5.7 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 "Long term equity investment accounted for using equity method" under Note 5.14"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 are 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 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 recognized 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 recognize 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)

5.8 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.

5.9 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. Non-monetary 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.

5.10 Financial instruments

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

5.10.1 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 differences 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.

5.10.2 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 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.

5.10.3 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.

5.10.4 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 contractual terms of the new financial liability are substantially different from that of 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.

5.10.5 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.

5.10.6 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.

5.10.7 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 equity is accounted for when the Group issues (including refinance), repurchases, sells or cancels an equity instrument. Transaction expenses relating to such transaction are deducted from 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.

Impairment of financial assets

The Group's financial assets subject to recognition of impairment loss include financial assets at amortised cost, debt instruments at fair value through other comprehensive income and lease receivables, which mainly include bills receivable, accounts receivable, other receivables, debt investments, other debt investments, contract assets, 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 since initial recognition 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.

5.11. 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 5.10 “Financial instrument”.

5.12. Inventories

5.12.1 Classifications of inventories

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

5.12.2 Costing of inventories

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

5.12.3 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 subsequent events.

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 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 realisable value of the inventory higher than its cost, the original provision should be reversed and recognised in current profit or loss.

5.12.4 The Group adopts the perpetual inventory system.

5.13. 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 5.10“Financial instruments”.

5.14. 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 5.10 “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.

5.14.1 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 two or 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 no, 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 two or 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 no, 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 relevant overheads 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".

5.14.2 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.

5.14.2.1 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.

5.14.2.2 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 its 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 return on investment 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, 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.

5.14.2.3 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.

5.14.2.4 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 5.6(2) "Preparation 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 recognised 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 recognised 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 two or 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.

5.15 Fixed assets

5.15.1 Recognition criteria

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

5.15.2 Depreciation

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

5.15.3 Recognition, measurement and depreciation method of fixed assets held under finance leases

Finance leases are the leases that substantially transfer all the risks and rewards related to ownership of assets, under which the ownership may be or may not be finally transferred. Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease period, the leased asset is depreciated over its useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its useful life.

5.16 Construction in progress

Construction in progress is measured at actual cost, including various construction costs and other related expenses during the construction. 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 5.20 "Impairment of long-term assets".

5.17 Borrowing costs

Borrowing costs include loan interests, discount or premium amortization, 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 an asset eligible for capitalization 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 assets acquired, constructed or produced, are ready for its intended use or in a saleable state. Other borrowing costs are recognized in the current profit or loss.

Borrowing costs arising from specific borrowings are capitalized after the deduction of any interest income earned from the unused specific borrowings deposited 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 interest rate applicable to the general borrowings.

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 the current profit or loss.

Assets eligible for capitalization 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.

5.18 Right-of-use assets

See Note 5.28 "Leases" for the determination and accounting treatment of the right-of-use assets.

5.19 Intangible assets

5.19.1 Measurement, useful lives and impairment test

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 associated with the asset will flow to the Group and its cost can be measured reliably. Otherwise, the outgoings are included in the current profit or loss when incurred.

Land use rights acquired are usually accounted for as intangible assets. The relevant land use right expenses and the costs of self-developed and self-constructed buildings and structures are separately accounted for as intangible assets and fixed 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 indefinite 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, and relevant adjustments, if any, will be regarded as a change in accounting estimates. In addition, the useful life of an intangible asset with an indefinite useful life are reviewed. If there are objective evidence that the period of the economic benefit derived from the intangible asset is foreseeable, 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.

5.19.2 Accounting policies on internal research and development expenditures

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

The expenditure on the research phase is included in the current profit or loss in the period in which it is incurred.

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

5.19.2.1 It is technically feasible to complete the intangible asset so that it will be available for use or sale;

5.19.2.2 The management intends to complete the intangible asset, and to use or sell it;

5.19.2.3 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;

5.19.2.4 There are adequate technical, financial and other resources to complete the development of the intangible assets and the ability to use or sell the intangible assets; and

5.19.2.5 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.

5.20 Impairment of long-term assets

At balance sheet date, the Group will assess whether there are any indications of impairment of 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 indefinite 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 of disposal and the present value of the future cash flows expected to be derived from the asset. The fair value of an asset is determined based on the price in a sale agreement in an arm's length transaction; when there is no sale agreement but an active market for the asset, the fair value should be determined based on the bid price in the market; when there is neither sale agreement nor active market for the asset, the fair value should be estimated based on the best information available. Costs of disposal 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. The 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 final disposal of the asset using a selected 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 should be determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

When the impairment test on goodwill that is separately presented in the financial statements is performed, the carrying value of goodwill should be 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 first will offset the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then offset 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.

5.21 Long-term deferred expenses

Long term deferred expenses are expenditures that have been 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:

5.21.1 prepaid rental for operating lease of fixed assets, amortized evenly over the lease term of the leasing contract;

5.21.2 expenditures paid for improvement of fixed assets held under operating lease, amortized over the remaining lease term or the remaining useful life of the asset, whichever is shorter; and

5.21.3 decoration cost that is qualified to be capitalized in relation to fixed assets held 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 included in the current profit and loss.

5.22 Employee compensation

5.22.1 Accounting treatment of short-term employee compensation

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 is included in the profit or loss for the current period or related asset costs. Non-monetary welfare is measured at fair value.

5.22.2 Accounting treatment of post-employment benefits

Post-employment benefits mainly comprise basic endowment insurance, unemployment insurance and annuity, etc., while post-employment benefits program includes the defined contribution plan. In the event of a 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.

5.22.3 Accounting treatment of termination benefits

The Group provides compensation for terminating the employment relationship with employees before the expiry of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the expiry of the employment contracts. The Group recognizes a liability of employee compensation arising from compensation for termination benefits, and charges it to the 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 Company 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 fully paid within 12 months after 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 includes the wage and social insurance contributionsto be paid 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.

5.22.4 Accounting treatment of other long-term employee benefits

Where any 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.

5.23 Lease liabilities

See Note 5.28 “Leases” for the methods of recognition and accounting treatment of lease liabilities.

5.24 Provisions

The provision is recognized when any obligation in relation to contingent events meets the following conditions: (1) the obligation is a current obligation borne by the Company; (2) it is probable that an outflow of economic benefits will be incurred from performing the obligation; and (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 is recognized as asset separately, on a recoverable basis, is recognized as asset separately, and the compensation amount recognized shall not exceed the carrying amount of the provision.

5.25 Revenue

Accounting policies adopted for recognition and measurement of revenues

Revenue is recognized when the customer obtains control of the relevant commodity, and the contract between the Company 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 a 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 Company; the consideration that the Company is entitled to for the transfer of goods to customers is likely to be recovered.

From the effective date of the contract, the Company 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 impacts 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 Company 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 Company's performance as the Company performs the contract; the customer can control the commodities in progress in the course of the Company's performance; the commodities produced during the performance of the Company have irreplaceable uses and the Company 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 Company 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 Company will recognize the transaction price which was allocated to the individual performance obligation as revenue, when the customer obtains the control of the relevant commodity. When determining whether the customer has obtained the control of the commodity, the Company 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 the 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 installation and acceptance.

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

5. 26 Government grants

Government grants are monetary or non-monetary assets transferred from the government to the Group at nil consideration, except for the investment in the Group by the government as an investor. 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; while other government grants are considered revenue-related. If the 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 by the government document, a budget allocation is made according to the amounts the expenditures to form assets and the proportions of the expenditure that charged to expense, and the proportions allocated are reviewed 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 included 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 at the amount receivable shall also meet the following conditions: (1) grants receivable have been confirmed by competent authorities in written form or can be reasonably estimated according to the related requirements under the 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 the payment is specified in the related documents and the payment thereofis financed by the corresponding budget as a guarantee to ensure such grants will be received within the prescribed period with a reasonable assurance; (4) other conditions (if any) are 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 in profit or loss in stages 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 included 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 the revenue-related government grant.

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 the government grant previously recognized, if there is any balance of 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 theperiod. If there is no deferred income, the repayment shall be directly recognized in profit or loss for the current period.

5.27. Deferred income tax assets/deferred income tax liabilities

5.27.1 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.

5.27.2 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 carrying amount and the tax base of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognised as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognised 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 recognises 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 differences; and it is probable that the temporary differences will not be reversed in the foreseeable future. Except for the above exceptions, the Group recognises deferred income tax liabilities arising from all other taxable temporary differences.

Deferred income tax assets are not recognised 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 recognises the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures except when both of the following conditions are satisfied: it is not probable that the temporary differences 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 differences can be utilized. Except for the above exceptions, the Group recognises deferred income tax assets arising from other deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

In respect of deductible losses and tax credits that can be carried forward to subsequent periods, deferred tax assets are only recognised 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 assets are realized or the liabilities are settled, according to the applicable tax laws.

The carrying amount of a deferred income tax asset is reviewed at each balance sheet date. The carrying amount of a deferred income 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 income 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.

5.27.3 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 recognised as other comprehensive income or directly recognised in shareholders' equity, which are recognised 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 expenses or incomes are recognised in profit or loss for the period.

5.27.4 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 settle them 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 and liabilities are expected to be reversed, deferred income tax assets and deferred income tax liabilities are offset and presented on a net basis.

5.28. Leases

5.28.1 Accounting treatment for operating 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.

5.28.1.1 The Group as a lessee

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

5.28.1.1.1 Initial measurement

At the commencement date, the Group shall recognise its right to use the leased asset over the lease term as the right-of-use asset, and shall recognise 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.

5.28.1.1.2 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 5.15 "Fixed assets"). If the Group can reasonably determine that a lease will transfer ownership of the assets 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 assets 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. Variable lease payments not included in the measurement of the lease liability are recognised 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.

5.28.1.1.3 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 recognise 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.

5.28.1.2 The Group as a lessor

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.

5.28.1.2.1 Operating lease

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

5.28.2 Accounting treatment for finance leases

At the commencement date of lease, the Group recognises finance lease receivables and derecognises 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 the lease income during the lease term is calculated 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.

5.29. Other significant accounting policies and accounting estimates

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 experience of the Group's management as well as other factors that are relevant. These judgments, estimates and assumptions may affect the 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 recognised within the period of change and future period.

At 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:

5.29.1 Recognition of revenue

As stated in Note 5.25 "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 of 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.

5.29.2 Leases

5.29.2.1 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.

5.29.2.2 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.

5.29.2.3 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 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 loss in the subsequent periods.

5.29.3 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.

5.29.4 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 their 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.

5.29.5 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 their carrying amounts 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 assets 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. When estimating the present value of future cash flow, 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.

5.30. Changes in significant accounting policies and accounting estimates

5.30.1 Changes in significant accounting policies

☐ Applicable √ Not applicable

5.30.2 Changes in significant accounting estimates

☐ Applicable √ Not applicable

5.30.3 Adjustments to the first adoption of relevant items in financial statements at the beginning of the very year due to the initial application of new income standards and new lease standards since 2021

Not applicable

5.30.4 Explanations on retrospective adjustments of previously comparative figures due to the initial application of new income standards and new lease standards since 2021

☐ Applicable √ Not applicable

VI. Tax

6.1 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

If there are taxable entities with different corporate income tax rates, an explanation of the disclosure.

Name of taxpayer	Income tax rate
Fuxin Enclosed Busbar Co., Ltd.	15%

6.2 Tax incentives

Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the company, was recognized as a high-tech enterprise on September 15, 2020. The validity period is three years. The income tax rate for the reporting period is 15%.

6.3 Tax concessions

6.3.1 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%.

6.3.2 Gaocai Technology Co., Ltd. is a wholly-owned subsidiary registered in BVI and no enterprise income tax is imposed on it.

VII. Notes to Items in Consolidated Financial Statements

7.1 Cash at bank and on hand

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Cash on hand	22,830.39	16,211.01
Bank deposits	3,686,248.94	8,519,698.70
Other cash and equivalents	4,248,422.30	4,376,815.36
Total	7,957,501.63	12,912,725.07
Including: Total overseas deposits	401,083.05	406,916.05

Notes:

(1) Of other cash and equivalents as at the end of period, RMB4,248,422.30 is the deposits for performance guarantee.

(2) Overseas deposits represent deposits with banks in Hong Kong, which are not restricted.

7.2 Notes receivable

7.2.1 Disclosure by type of notes receivable

Unit: RMB

Item	Balance at end of the period	Balance at beginning of year
Bank acceptance draft	115,150.80	0.00
Total	115,150.80	0.00

Unit: RMB

Type	Balance at end of period					Balance at beginning of year				
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt		
	Amount	Percentage	Amount	Percentage of provision	Book value	Amount	Percentage	Amount	Percentage of provision	Book value
Notes receivable of provision for bad debt on an individual basis	115,150.80	100.00%	0.00	0.00%	115,150.80	0.00	0.00%	0.00	0.00%	0.00
Total	115,150.80	100.00%	0.00	0.00%	115,150.80	0.00	0.00%	0.00	0.00%	0.00

7.3 Accounts receivable

7.3.1 Disclosure by aging

Unit: RMB

Aging	Balance at end of the period
Within 1 year	24,518,246.52
1 – 2 years	11,970,736.24
2 – 3 years	3,040,697.07
3 – 4 years	199,213.00
Over 4 years	1,423,911.79
Subtotal	41,152,804.62
Less: Provision for bad debt	3,623,429.29
Total	37,529,375.33

7.3 Accounts receivable

7.3.2 Disclosure by method of provision for bad debt

Unit: RMB

Type	Balance at end of period					Balance at beginning of year				
	Carrying amount		Provision for bad debt		Book value	Carrying amount		Provision for bad debt		Book value
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Accounts receivable of provision for bad debt on an individual basis										
Accounts receivable of provision for bad debt on a collective basis	41,152,804.62	100.00%	3,623,429.29	100.00%	37,529,375.33	36,986,816.24	100.00%	4,692,884.11	12.69%	32,293,932.13
Including:										
Accounts receivable of provision for bad debt based on aging	41,152,804.62	100.00%	3,623,429.29	100.00%	37,529,375.33	36,986,816.24	100.00%	4,692,884.11	12.69%	32,293,932.13
Total	41,152,804.62	100.00%	3,623,429.29	100.00%	37,529,375.33	36,986,816.24	100.00%	4,692,884.11	12.69%	32,293,932.13

7.2.2.1 Accounts receivable of provision for bad debts on a collective basis based on aging combination

Unit: RMB

	Balance at end of period		
Aging	**Carrying amount**	**Provision for bad debt**	**Percentage of provision (%)**
Within 1 year (inclusive)	24,518,246.52	573,987.21	2.34%
1 – 2 years (inclusive)	11,970,736.24	522,287.08	4.36%
2 – 3 years (inclusive)	3,040,697.07	968,978.69	31.87%
3 – 4 years (inclusive)	199,213.00	158,471.02	79.55%
Over 4 years	1,423,911.79	1,399,705.29	98.30%
Total	41,152,804.62	3,623,429.29	-

7.3.3 Provision for bad debt

Unit: RMB

Type	Balance at beginning of year	Changes during the period				Balance at end of period
		Provision	Retrieval or reversal	Write-off	Other changes	
Accounts receivable of provision for bad debt on a collective basis	4,692,884.11		1,069,454.82			3,623,429.29
Total	4,692,884.11		1,069,454.82			3,623,429.29
	4,692,884.11		1,069,454.82			3,623,429.29

7.3.4 Top five accounts receivable by debtor at the end of period

The sum of top five accounts receivable by debtor at the end of period amounted to RMB13,454,505.64, representing 32.69% of the total balance of accounts receivable at the end of period, and the balance of provision for bad debts made accordingly as at the period of the year amounted to RMB421,556.57.

7.4 Prepayments

7.4.1 Prepayments by aging

Unit: RMB

	Balance at end of period		Balance at beginning of year	
Aging	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	533,245.68	77.41%	990,120.96	99.26%
1-2 years	148,252.80	21.52%		
Over 3 years	7,334.00	1.06%	7,334.00	0.74%
Total	688,832.48	--	997,454.96	--

7.4.2 Top five prepayments by supplier based on balance at the end of period

The sum of top five prepayments by supplier based on balance at the end of period amounted to RMB544,484.63, representing 79.04% of the total balance of prepayments at the end of period.

7.5 Other receivables

Unit: RMB

Item	Balance at end of peirod	Balance at beginning of year
Other receivables	17,286,000.02	19,230,044.90
Total	17,286,000.02	19,230,044.90

7.5.1 Disclosure by aging

Unit: RMB

Aging	Balance at end of period
Within 1 year	2,683,208.68
1 – 2 years	82,820,509.18
2 – 3 years	2,830,174.71
3 – 4 years	18,800.00
Over 4 years	80,556,374.49
Subtotal	168,909,067.06
Less: Provision for bad debt	151,623,067.04
Total	17,286,000.02

7.5.2 Classification by nature of the amount

Unit: RMB

Nature of the amount	Amount at end of period	Amount at beginning of year
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00
Asset disposal proceeds	9,040,000.00	13,040,000.00
Rental deposit	4,839,800.00	4,839,800.00
Current account	77,922,897.06	75,845,540.94
Deposits for bidding	1,377,570.00	1,398,971.00
Subtotal	169,270,267.06	171,214,311.94
Less: Provision for bad debt	151,623,067.04	151,984,267.04
Total	17,286,000.02	19,230,044.90

7.5.3 Provision for bad debt

Unit: RMB

Provisions for bad debt	Phase I Expected credit loss over the next 12 months	Phase II Lifetime expected credit losses (not credit-impaired loans)	Phase III Lifetime expected credit losses (credit-impaired loans)	Total
Balance at beginning of year	235,265.14		151,388,701.90	151,623,067.04
Balance at the beginning of the period:				
– Transferred to Phase II				
– Transferred to Phase III				
– Reversed to Phase II				
– Reversed to Phase I				
Provision for the period	235,265.14		151,388,701.90	151,623,067.04
Reversal for the period				
Written-off for the period				
Charge off for the period				
Other changes				
Balance at end of period	235,265.14		151,388,701.90	151,623,067.04

7.5.4 Provision for bad debt

Unit: RMB

Type	Balance at beginning of year	Changes during the year				Balance at end of period
		Provision	Retrieval or reversal	Write-off	Other changes	
Other receivables	151,984,267.04		361,200.00			151,623,067.04
Total	151,984,267.04		361,200.00			151,623,067.04

7.5.5 Top five other receivables by debtor at the end of period

Unit: RMB

Name of company	Nature	Balance at end of period	Aging	Percentage in total other receivables at end of period (%)	Balance of provisions for bad debt at end of period
Benxi Iron & Steel (Group) Co., Ltd.	Current account (with litigation)	76,090,000.00	Over 4 years	44.95%	76,090,000.00
HNA Group Finance Co., Ltd.	Current account	71,404,102.96	Within 2 years	42.18%	71,404,102.96
Haizhou House Expropriation Office of Fuxin	Asset disposal proceeds	9,040,000.00	Within 2year	5.34%	
Dongguan Yujingwan Hotel	Rental deposit	2,839,800.00	2-3 years	1.68%	
Zijinhua Restaurant, Jilin Province Tourism Group Co., Ltd.	Rental deposit	2,000,000.00	2-3 years	1.18%	
Total		161,373,902.96		95.34%	147,494,102.96

Note 1: The principal owed from Benxi Iron & Steel (Group) Co., Ltd. (hereinafter referred to as "Benxi Steel") of RMB76,090,000.00 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 RMB76,090,000.00 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 RMB15,900,000.00 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 RMB60,190,000.00 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 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 in full for such other receivables.

Note 2: HNA Group Finance Co., Ltd. ("Finance Company") has applied for reorganization for its deposits. The credit impairment losses have been fully accrued at the end of 2020. According to its reorganization procedures, the relevant claims have been declared in the first half of 2021. As of June 30, 2021, the Group has declared the financial company's debt amount to RMB 71,404,102.96.

7.6 Inventories

7.6.1 Classification of inventories

Unit: RMB

Item	Balance at end of period			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	7,072,692.71		7,072,692.71	5,354,508.66		5,354,508.66
Work in progress	171,364.18		171,364.18	1,944,261.02		1,944,261.02
Finished goods	5,362,956.14		5,362,956.14	9,411,542.27		9,411,542.27
Total	12,607,013.03		12,607,013.03	16,710,311.95		16,710,311.95

7.7 Other current assets

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Prepaid value-added tax	130,275.96	130,275.96
Deductable input VAT	723,918.08	1,828,450.12
Total	854,194.04	1,958,726.08

7.8 Long-term equity investments

Unit: RMB

Investee	Balance at beginning of year	Increase/decrease during the period								Balance at end of period	Balance of provision for impairment at end of period
		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		
Associate											
Chongqing HNA Hotel Investment Co., Ltd.	0.00									0.00	
Great Power Technology Limited	0.00									0.00	56,603,237.37
Total	0.00									0.00	56,603,237.37

Note 1: On 26 April 2020, HNA Hotel Holdings Ltd., a related party of the Company, transferred its 30% equity in Chongqing HNA Hotel Investment Co., Ltd. ("Chongqing Hotel") to the Group. Given that Chongqing Hotel has been applied for reorganisation, although it has no specific reorganisation plan yet, all of its property assets have been used as bank collateral for the loans of related parties; it is estimated that there is almost no amount would become recoverable after taking into account the related parties' credit status, repayment ability and other factors, and therefore the carrying amount is presented as RMB0 subject to accounting by the equity method.

Note 2: Great Power Technology Limited, a non-listed company set up in BVI, had significant uncertainties in its ability to continue as a going concern after the failure in effective integration by Beijing Haihongyuan Investment Management Co., Ltd. after its acquisition of the Company. Full provisions have been made for impairment of the long-term equity investments held by the Group in Great Power Technology Limited.

7.9 Other equity instrument investment

7.9.1 Other equity instrument investment

Unit: RMB

Item	Balance at end of period	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

7.9.2 Investment in equity instruments held for non-trading purpose

Unit: RMB

Item	Dividend recognised 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.			201,480,405.00			
Total			274,528,971.83			

Note: At the end of June 2021, the Company is the holder of 10.5% equity investment in HNA Tianjin Center Development Co., Ltd. ("Tianjin Center"). Given that Tianjin Center has been applied for reorganisation, although there is no specific reorgnisation plan yet, all of its property assets have been used as bank collateral for the loans of related parties; it is estimated that there is almost no amount would become recoverable after taking into account the related parties' credit status, repayment ability and other factors, and the Group therefore recognises the fair value of the equity at the end of period as RMB0.

7.10 Fixed assets

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Fixed assets	43,221,747.71	44,911,967.97
Total	43,221,747.71	44,911,967.97

7.10.1 Fixed assets

Unit: RMB

Item	Buildings and structures	Machinery & equipment	Motor vehicles & others	Total
I. Carrying amount				
1. Balance at beginning of year	39,147,491.74	16,633,725.41	4,504,148.90	60,285,366.05
2. Increment		31,012.00		31,012.00
(1) Purchase		31,012.00		31,012.00
(2) Transferred from construction in progress				
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of period	39,147,491.74	16,664,737.41	4,504,148.90	60,316,378.05
II. Accumulated depreciation				
1. Balance at beginning of year	3,273,255.11	8,499,370.69	2,968,209.88	14,740,835.68
2. Increment	982,880.12	400,374.21	337,977.93	1,721,232.26
(1) Provision	982,880.12	400,374.21	337,977.93	1,721,232.26
3. Decrement				
(1) Disposal or write-off				
4. Balance at end of period	4,256,135.23	8,899,744.90	3,306,187.81	16,462,067.94

Item	Buildings and structures	Machinery & equipment	Motor vehicles & others	Total
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 period		359,687.12	272,875.28	632,562.40
IV. Book balance				
1. Book balance at end of period	34,891,356.51	7,405,305.39	925,085.81	43,221,747.71
2. Book balance at beginning of year	35,874,236.63	7,774,667.60	1,263,063.74	44,911,967.97

7.11 Right-of-use assets

Unit: RMB

Item	Buildings and structures	Total
I. Carrying amount		
1. Balance at beginning of year	32,238,124.43	32,238,124.43
2. Increment		
(1) Lease		
3. Decrement		
(1) Expiration of contract		
4. Balance at end of period	32,238,124.43	32,238,124.43
II. Accumulated depreciation		
1. Balance at beginning of year	15,805,756.69	15,805,756.69
2. Increment	4,658,484.54	4,658,484.54
(1) Provision	4,658,484.54	4,658,484.54
3. Decrement		
(1) Disposal		
4. Balance at end of period	20,464,241.23	20,464,241.23
III. Provision for impairment		
IV. Book balance		
1. Book balance at end of period	11,773,883.20	11,773,883.20
2. Book balance at beginning of year	16,432,367.74	16,432,367.74

7.11 Intangible assets

Unit: RMB

Item	Land use rights	Software	Total
I. Carrying amount			
1. Balance at beginning of year	13,200,304.00	207,000.00	13,407,304.00
2. Increment			
(1) Purchase			
3. Decrement			
(1) Disposal			
4. Balance at end of period	13,200,304.00	207,000.00	13,407,304.00
II. Accumulated amortization			
1. Balance at beginning of year	1,122,026.01	207,000.00	1,329,026.01
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 period	1,254,029.07	207,000.00	1,461,029.07
III. Provision for impairment			
IV. Book balance			
1. Book balance at end of period	11,946,274.93	0.00	11,946,274.93
2. Book balance at beginning of period	12,078,277.99	0.00	12,078,277.99

7.13 Goodwill

7.13.1 Carrying amount of goodwill

Unit: RMB

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

7.13.2 Provision for impairment of goodwill

Unit: RMB

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

7.14 Deferred income tax assets

7.14.1 Details of unrecognized deferred income tax assets

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Deductable temporary difference	703,519,743.19	703,519,743.19
Deductable loss	58,370,710.19	58,370,710.19
Total	761,890,453.38	761,890,453.38

7.14.2 Deductable loss of unrecognized deferred income tax asset due in the following years

Unit: RMB

Year	Balance at end of period	Balance at beginning of year	Note
2022	17,153,778.37	17,153,778.37	
2023	1,203,418.17	1,203,418.17	
2024	12,706,128.66	12,706,128.66	
2025	12,985,193.71	12,985,193.71	
No specified limit	14,322,191.28	14,322,191.28	Deductable loss by subsidiary-Northeast Electric Development (HK) Co., Ltd.
Total	58,370,710.19	58,370,710.19	-

7.15 Accounts payable

7.15.1 Accounts payable

Unit: RMB

	Balance at end of period	Balance at beginning of year
Within 1 year	15,027,661.37	17,809,839.08
1 – 2 years	4,036,594.13	1,832,577.69
2 -3 years	100,000.00	1,035,642.73
Over 3 years	764,026.74	666,881.64
Total	19,928,282.24	21,344,941.14

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

7.16 Contract liabilities

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Equipment sales contract	4,433,293.59	5,571,128.14
Hotel catering service contract	462,560.60	1,053,144.76
Total	4,895,854.19	6,624,272.90

7.17 Employee compensation

7.17.1 Details of employee compensation

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of period
I. Short-term compensation	4,470,447.33	8,420,924.14	7,936,987.08	4,954,384.39
II. Post-employment benefits – defined contribution plan	277,492.95	1,107,090.20	1,118,883.66	265,699.49
III. Termination benefits	5,816.00			5,816.00
Total	4,753,756.28	9,528,014.34	9,055,870.74	5,225,899.88

7.17.2 Short-term compensation

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of period
1. Wages, bonuses, allowances, subsidies	4,343,888.43	6,874,617.25	6,496,053.12	4,722,452.56
2. Employee welfare		289,420.40	254,420.40	35,000.00
3. Social insurances	89,093.13	575,181.40	568,004.39	96,270.14
Including: Medical insurance	47,097.96	479,519.84	469,828.78	56,789.02
Work injury insurance	21,561.31	81,203.69	83,491.68	19,273.32
Maternity insurance	20,433.86	14,457.87	14,683.93	20,207.80
4. Housing provident fund	10,409.72	615,210.17	550,172.64	75,447.25
5. Labor union expenditure and employee education expenses	27,056.05	66,494.92	68,336.53	25,214.44
Total	4,470,447.33	8,420,924.14	7,936,987.08	4,954,384.39

7.17.3 Defined contribution plan

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of period
1. Basic endowment insurance	259,642.80	1,076,504.91	1,078,904.31	257,243.40
2. Unemployment insurance	17,850.15	30,585.29	39,979.35	8,456.09
Total	277,492.95	1,107,090.20	1,118,883.66	265,699.49

7.18 Tax payable

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Enterprise income tax	2,644,280.47	3,867,705.37
Value-added tax	759,116.02	498,651.57
City maintenance and construction tax	492.45	1,545.59
Education surcharge/local education surcharge	4,259.63	3,943.45
Individual income tax	234,117.82	222,110.65
Tenure tax	19,947.50	19,947.50
Housing property tax	28,836.06	28,836.06
Stamp duty	75,350.00	101,699.76
Total	3,766,399.95	4,744,439.95

7.18 Other payables

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Other payables	177,158,484.07	181,225,923.07
Total	177,158,484.07	181,225,923.07

7.19.1 Other payables

7.19.1.1 Details of other payables by nature

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Compensation due for CDB case (Note)	94,078,130.44	94,078,130.44
Current account	82,974,506.27	87,041,945.27
Others	105,847.36	105,847.36
Total	177,158,484.07	181,225,923.07

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 21 June 2019, Beijing Higher Court transferred the case to the First Intermediate People's Court of Hainan Province for jurisdiction. As of the reporting date, the First Intermediate People's Court of Hainan Province has not accepted the case for execution, nor taken compulsory enforcement measures or conducted actual performance.

(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 wholly-owned 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 Group 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.

7.19.3 Other significant accounts payable aged over 1 year are mainly unexecuted litigation amounts.

7.20 Non-current liabilities due within one year

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Lease liabilities due within one year	8,547,987.57	10,953,560.25
Total	8,547,987.57	10,953,560.25

7.21 Lease liabilities

Unit: RMB

Item	Balance at end of period	Balance at beginning of year
Site lease	11,876,867.44	11,582,700.60
Total	11,876,867.44	11,582,700.60

7.22 Estimated liabilities

Unit: RMB

Item	Balance at end of peirod	Balance at beginning of year	Reason
External guarantee	34,354,500.00	34,354,500.00	Liability under guarantees
Lawsuits pending ruling	37,745,190.00	37,745,190.00	Case of Shenyang HVS employees' settlement
Total	72,099,690.00	72,099,690.00	-

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 for 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.

(3) Lawsuit pending ruling refers to the case of employee settlement compensation dispute – State-owned Asset Supervisory Commission of Tiexi District of Shenyang City (hereafter "Tiexi Commission") vs. Shenyang High-Voltage Switchgear Co., Ltd. (hereafter "Shenyang HVS") & New Northeast Electric (Shenyang) High-Voltage Switches Co., Ltd. (hereafter "New Northeast High-Volt").

In May 2007, the Company and Shenyang HVS entered into an agreement with Tiexi Commission, i.e., the Agreement of Shenyang HVS Employees Settlement Affairs, then in June and November of 2008, the 3 parties signed the Agreement of Proper Settlement of Shenyang HVS Employees and the Supplementary Agreement, and New Northeast High-Volt guaranteed for the relevant settlement payments. Settlement involved in these agreements totaled RMB132,390,000.00, for which Shenyang HVS has paid RMB103,860,000.00 up to July 2011. To date, there's an outstanding amount of RMB28,530,000.00.

Consequently in May 2017, Tiexi Commission sued the Company and Shenyang HVS with the Intermediate People's Court of Shenyang City ("Shenyang Intermediate Court"), claiming RMB37,745,190.00 for settlement compensation, interest and penalty, and New Northeast High-Volt to take up joint and several guarantee. The Company appealed on jurisdiction of the Court which was dismissed by Shenyang Intermediate Court. Then the Company appealed to the Higher People's Court of Liaoning Province ("Higher Court of Liaoning Province"), which ruled to dismiss the appeal with Civil Judgment (2017) Liao Min Xia Zhong No. 196 on 6 December 2017, sustaining the ruling by Shenyang Intermediate Court.

Although there deemed to be disputes in nature of the case, limitation of action and validity of the agreements, the Company's representing lawyer is of view that the case would probably be ruled by the Court for the Company and Shenyang HVS to settle full payment as it is concerning wellbeing of employees. Also, as Shenyang HVS's business license has been revoked, the Company has estimated liability of RMB37,745,190.00 in 2017 according to the lawyer's opinion.

On 12 June 2018, the case was heard in the Shenyang Intermediate People's Court. On 18 July, the Shenyang Intermediate People's Court issued Civil Judgment (2017) Liao 01 Min Chu No. 430. The Shenyang Intermediate People's Court held that when the plaintiff Tiexi Commission reclaimed its rights to NEE on 21 July 2016, it had exceeded the two-year statute of limitations. The Shenyang Intermediate People's Court did not support the claim that the plaintiff Tiexi Commission requested the defendant NEE to repay the arrears of RMB28.53 million, interest and penalty. The plaintiff Tiexi Commission refused to accept the first ruling and appealed to the Higher Court of Liaoning Province. On 8 May 2019, the Higher Court of Liaoning Province tried the case in the second instance and issued a civil order ((2018) Liao Min Zhong No.1032) on 21 August 2019, ruling as follows: the civil judgment (Liao 01 Min Chu (2017) No. 430) issued by Liaoning Shenyang Municipal Intermediate People's Court shall be abrogated; a retrial for this case shall be performed by Liaoning Shenyang Municipal Intermediate People's Court. The case was transferred by Shenyang Intermediate Court to the First Intermediate People's Court of Hainan Province on 11 February 2020 for jurisdiction and was tried on 10 August 2020.

On 16 September 2020, the First Intermediate People's Court of Hainan Province issued the Civil Judgement ((2020) Qiong 96 Min Chu No. 81), and it judged as follows: (i) the defendant Shenyang High Voltage Switchgear Co., Ltd. ("Shenyang HVS") should pay RMB28.53 million as well as the liquidated damages of RMB1.4265 million to Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau ("Tiexi SASAB") within fifteen days from the date when the judgement takes effect; and (ii) reject other claims of the plaintiff Tiexi SASAB. Tiexi SASAB refused to accept the first ruling and appealed to Hainan Higher People's Court.

The Company received the Notice of Appearance, Notice to Produce Evidence and other materials from Hainan Higher People's Court by post on 26 January 2021. Hainan Higher People's Court accepted the case on 25 January 2021, and the second trial number is (2021) Qiong Min Zhong No. 36. As of the reporting date, the company has received the second-instance judgment. According to the judgment of the second instance, Northeast Electric does not need to bear the responsibility, and Northeast Electric won the final instance. The company will perform the above accounting treatment in the financial statements for the third quarter of 2021 to offset the estimated liabilities by RMB 37,745,190.00.

7.23 Deferred income

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of period	Reason
Policy-based relocation compensation for new plant construction project	29,425,846.58	8,461,631.32	889,792.14	36,997,685.76	Relocation of Fuxin Busbar.'s north plant
Total	29,425,846.58	8,461,631.32	889,792.14	36,997,685.76	—

In particular, projects involving government grants:

Unit: RMB

Item	Balance at beginning of year	New grants for the year	Amount of non-operating income included in the year	Amount of other income included in the year	Balance at end of period	Asset and revenue related
Relocation compensation	29,425,846.58	8,461,631.32		889,792.14	36,997,685.76	Asset related
Total	29,425,846.58	8,461,631.32		889,792.14	36,997,685.76	

7.24 Share capital

Unit: RMB

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

7.25 Capital reserve

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of period
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

7.26 Other comprehensive income (OCI)

Unit: RMB

Item	Balance at beginning of year	Amount incurred during the year						Balance at end of period
		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: Changes in fair value of other equity instruments investment	-231,195,596.01							-231,195,596.01
II. OCI to be reclassified into profit or loss	-26,835,918.99	281,463.63				281,463.63		-26,554,455.36
Including: Foreign currency translation difference	-26,835,918.99	281,463.63				281,463.63		-26,554,455.36
Total	-258,031,515.00	281,463.63				281,463.63		-257,750,051.37

7.27 Surplus reserves

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of period
Statutory surplus reserve	80,028,220.48			80,028,220.48
Optional surplus reserve	28,558,903.92			28,558,903.92
Total	108,587,124.40			108,587,124.40

7.30 Undistributed profit

Unit: RMB

Item	Amount for the year	Amount for previous year
Undistributed profit at the end of the previous year before adjustment	-1,995,343,315.68	-2,059,319,937.47
Adjustment for total undistributed profits at the beginning of year (+ for increase and – for decrease)		
Undistributed profits at the beginning of year after adjustment	-1,995,343,315.68	-2,059,319,937.47
Add: Net profits attributable to shareholders of the parent for the year	-11,819,705.03	63,976,621.79
Less: Appropriation for statutory surplus reserve		
Appropriation for optional surplus reserve		
Ordinary shares dividends payable		
Ordinary shares dividends converted to equity		
Undistributed profit at the end of period	-2,006,878,787.06	-1,995,343,315.68

7.29 Operating income and operating costs

Unit: RMB

	Amount for the period		Amount for previous period	
Item	Income	Cost	Income	Cost
Main business	28,446,337.20	19,329,133.16	37,656,210.91	26,398,824.55
Other business			182,539.68	4,246.98
Total	28,446,337.20	19,329,133.16	37,838,750.59	26,403,071.53

(1) Revenue from contracts during the year

Unit: RMB

Classification of contracts	Sales of enclosed busbar products	Hotel and catering industry	Total
By the time of transfer of goods			
Including: recognised at a certain point recognised during a period	18,430,388.22	10,015,948.98	28,446,337.20
Total	18,430,388.22	10,015,948.98	28,446,337.20

7.30 Tax and surcharges

Unit: RMB

Item	Amount for the period	Amount for previous period
City maintenance and construction tax	15,216.88	16,682.53
Education surcharges/Local education surcharge	6,521.52	3056.33
Land use tax	119,685.00	250,319.25
Property tax	173,016.36	153,523.68
Tax on vehicles	4,449.12	4,449.12
Others	4,347.68	12,720.00
Total	323,236.56	440,750.91

7.31 Sales expenses

Unit: RMB

Item	Amount for the period	Amount for previous period
Employee compensation	2,111,626.23	1,911,480.30
Labour outsourcing fee		1,003,778.37
Rental expenses		2,800,720.19
Depreciation of right-of-use assets	4,658,484.55	4,658,484.60
Transportation fee	527,540.50	1,010,063.48
Material consumption	698,235.61	1,720,876.36
After-sales services expenses	243,452.94	159,539.39
Travelling expense	159,518.75	86,938.80
Property fee	407,142.84	
Energy expense	622,687.96	
Repair expense	59,887.53	
Commission	73,375.21	
Cleaning fee	222,904.26	
Bidding fee	403,746.23	10,647.66
Entertainment fee	50,799.75	49,286.10
Welfare fee		587,805.51
Consultation fee		192,772.28
Others	403,341.62	322,900.76
Total	10,642,743.98	14,515,293.80

7.32 Administrative expenses

Unit: RMB

Item	Amount for the period	Amount for previous period
Employee compensation	5,662,479.34	5,301,572.40
Office expenses	18,433.50	52,795.94
Depreciation expenses	491,706.42	546,065.69
Agent fee	1,911,747.73	524,621.73
Heating expenses	128,533.79	310,422.35
Entertainment fee	21,779.68	218,546.70
Travelling expense	85,163.66	47,325.29
Amortization	132,003.06	176,870.58
Rental fee and supporting fee	567,748.38	1,216,367.20
Others	631,008.43	1,595,611.59
Total	9,650,603.99	9,990,199.47
	5,662,479.34	5,301,572.40

7.33 R&D expenditure

Unit: RMB

Item	Amount for the period	Amount for previous period
Casting busbar test section	256,190.34	
Insulating pipe busbar test section	196,575.60	
Intelligent forced circulation tank test section	110,960.34	
Others	165,134.75	
Total	728,861.03	

7.34 Finance expenses

Unit: RMB

Item	Amount for the period	Amount for previous period
Interest expenses	493,915.35	824,460.43
Less: Interest income	6,951.90	1,031,574.82
Exchange gain or loss		
Bank charges	37,779.58	35,820.28
Total	524,743.03	-171,294.11

7.35 Other income

Unit: RMB

Item	Amount for the period	Amount for previous period	Amounts included in the current nonrecurring profit or loss
Compensation for new plant construction project in policy-based demolition	889,792.14	668,955.66	889,792.14
Total	889,792.14	668,955.66	889,792.14

7.36 Non-operating income

Unit: RMB

Item	Amount for the period	Amount for previous period	Amounts included in the current non-recurring profit or loss
Liquidated damages		1,060,454.07	
Others	10,262.03	17,896.30	10,262.03
Total	10,262.03	1,078,350.37	10,262.03

7.37 Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for previous period	Amounts included in the current non-recurring profit or loss
Fines on late payment & penalty	622.85	2,017.55	622.85
Total	622.85	2,017.55	622.85

7.38 Income tax expense

7.38.1 Income tax expense

Unit: RMB

Item	Amount for the period	Amount for previous period
Current income tax expense		280,256.09
Total		280,256.09

7.39 Other comprehensive income

See Note VII. 26 for details.

7.40 Statements of cash flows

7.40.1 Cash received from other operating related activities

Unit: RMB

Item	Amount for the period	Amount for previous period
Government grants		14,000,000.00
Interest income	9,024.99	1,034,628.59
Current accounts	3,070,057.75	3,016,123.39
Bidding deposits	2,607,843.49	1,133,349.20
Deposits for performance guarantees		56,009,636.07
Others	25,743.92	8,129,180.24
Total	5,712,670.15	83,322,917.49

7.40.2 Cash paid for other operating related activities

Unit: RMB

Item	Amount for the period	Amount for previous period
Fees for cash payments	2,591,504.12	1,582,011.44
Current accounts	86,595.60	16,286,345.03
Deposits for performance guarantees	2,198,183.60	2,149,000.00
Deposits for bidding	3,011,000.00	1,392,039.00
Others	22,423.58	
Total	7,909,706.90	21,409,395.47

7.41 Supplementary information to statement of cash flows

7.41.1 Supplementary information to statement of cash flows

Unit: RMB

Supplementary information	Amount for the period	Amount for previous period
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	-11,853,553.23	-11,874,238.62
Add: Provisions for assets impairment		
Credit impairment loss	1,569,296.99	1,660,558.25
Depreciation of fixed assets, oil and gas assets and productive bio-assets	4,423,006.86	4,658,484.63
Depreciation of right-of-use assets	132,003.06	176,870.58
Amortization of intangible assets		40,728.78
Amortization of long term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets (gain is shown as "-")		
Loss on write-off of fixed assets (gain is shown as "-")		
Loss on changes in fair value (gain is shown as "-")		
Finance costs (gain is shown as "-")	524,743.03	252,568.26
Loss on investments (gain is shown as "-")		
Decrease in deferred income tax assets (increase is shown as "-")		
Increase in deferred income tax liabilities (decrease is shown as "-")	4,103,298.92	-4,132,956.99
Decrease in inventories (increase is shown as "-")	-1,993,394.60	-5,035,751.32
Decrease in operating receivables (increase is shown as "-")	-5,740,788.67	19,946,799.49
Increase in operating payables (decrease is shown as "-")		56,009,636.07
Others	-8,835,387.64	61,702,699.13
Net cash flows generated from operating activities	--	--

Supplementary information	Amount for the period	Amount for previous period
2. Significant non-cash investment and financing activities:		
Debts changed to capital		
Convertible bonds mature within 1 year		
Fixed assets acquired under finance lease	--	--
3. Net changes in cash and cash equivalents:		
Cash at the end of period	3,709,079.33	77,103,067.09
Less: cash at the beginning of year	8,535,909.71	74,527,767.65
Add: cash equivalents at the end of period		
Less: cash equivalents at beginning of year		
Net increase in cash and cash equivalents	-4,826,830.38	2,575,299.44

7.41.2 Composition of cash and cash equivalents

Unit: RMB

Item	Balance at end of period	Balance at beginning of period
I.Cash	3,709,079.33	8,535,909.71
Including: Cash on hand	22,830.39	16,211.01
Bank deposits available on demand	3,686,248.94	8,519,698.70
Other cash assets available on demand		
II.Cash equivalents		
Including: Bond investments mature within 3 months		
III.Balance of cash and equivalents at end of period	3,709,079.33	8,535,909.71

7.42 Assets with restricted ownership or use right

Unit: RMB

Item	Book balance at end of period	Reason
Cash and equivalent	4,248,422.30	Deposit placed for performance guarantee
Total	4,248,422.30	

7.43 Foreign-currency monetary items

7.43.1 Foreign-currency monetary items

Unit: RMB

Item	Foreign currency balance at end of period	Exchange rate	Translated RMB balance at end of period
Currency			
Including: US dollars	155.00	6.4601	1,001.32
HK dollars	480,809.70	0.8321	400,081.75

7.43.2 Overseas operating entities

Unit: RMB

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 (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 is a company set up in British Virgin Islands (BVI) by the Company.

7.44 Government grants

Unit: RMB

Category	Amount of new grants	Item	Amount included in current profit or loss
Related to assets	8,461,631.32	Deferred income	889,792.14

VIII. Changes in Consolidation Scope

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

IX. Equity in Other Entities

9.1 Equity in subsidiaries

9.1.1 Composition of the Group

Unit: RMB

Name of subsidiary	Principle operating place	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	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	Engineering design and construction, reconnaissance and design, project consultation of new energy	-	51.00	Merger acquisition under different control

9.1.2 Information on significant non-wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Percentage of minority shares (%)	Equity attributable to minority shareholders in the period	Dividends paid to minority shareholders in the period	Closing balance of minority interests
Hainan Garden Lane Flight Hotel Management Co., Ltd.	1.00%	-33,477.30		-1,248,933.83
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	49.00%	-370.90		3,405,682.05

9.1.3 Main financial information on significant non wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Balance at end of period						Balance at beginning of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	17,848,469.76	17,277,829.69	35,126,299.45	148,010,774.69	11,876,867.44	159,887,642.13	16,438,276.75	21,935,556.33	38,373,833.08	148,336,784.68	11,582,700.60	159,919,485.28

Unit: RMB

Name of subsidiary	Amount for the period				Amount for previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	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	11,137,816.64	-5,051,021.55	-5,051,021.55	-3,498,971.89

9.2 Equity in joint ventures and associates

(1) Important joint ventures or associates

Unit: RMB

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

X. Risks Related to Financial Instrument

Financial instruments the Company invested mainly include equity investment, accounts receivables and accounts payables. Please see Note VII 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 isolatedly, 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.

10.1 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 which record in HKD for their financial statements, other principal operating activities of the Company are settled in RMB. On 30 June 2021, only daily expenses reported with no purchases or sales for overseas subsidiaries of the Company.

On 30 June 2021, 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:

Unit: RMB

Item	Change in exchange rate	The period		Previous period	
		Impacts on profit	Impacts on shareholders' equity	Impacts on profit	Impacts on shareholders' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB	71.98	293,723.71		285,805.67
Translation from foreign currency reports	Depreciate 0.5% against RMB	-71.98	-293,723.71		-285,805.67

10.2 Credit risks

By 30 June 2021, maximum exposure of credit risks possibly causing financial losses to the Group mainly exists when the counterparty of the contract fails to perform its obligations and causes losses on financial assets.

To reduce credit risks, a special team has been set up to be in charge of setting credit limits, making credit approvals and exercising other supervisory procedures to make sure all necessary measures are taken to retrieve overdue debts. Moreover, the Group supervises every single receivable on every balance sheet date to make sure sufficient provision on bad debt will be in place for those irretrievable receivables. Therefore, the Management of the Group considers the credit risks have been greatly reduced.

Working capital of the Group has been deposited with banks with high credit ratings, so there's low risk for those capitals.

(1) Analysis of financial assets with individual impairment, including the factors to be considered in determining the impairment of the financial assets

Please refer to note VII.4 for details of impaired receivables individually assessed at the balance sheet date. Since these companies are insolvent, listed by the court as trust-breaking enterprises subject to execution, or cancelled, or have mutual disputes over the amounts, the Group shall make provision for bad debts based on expected credit losses individually.

10.3 Liquidity risk

The Company maintains sufficient cash and cash equivalents with continuous supervision to satisfy operation needs and reduce impact on cash flow, which meet the requirement of management of liquidity risks. Management of the Company supervises utilization of bank borrowings to make sure related borrowing contracts are honored.

As of 30 June 2021, the current liabilities of the Company were RMB142,484,840.57 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.

XI. Disclosure of Fair Value

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

Unit: RMB

	period-end fair value			
Item	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

XII. Related parties and related party transactions

12.1 The largest controlling shareholder of the Company

Unit: RMB

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	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 2021, Beijing Haihongyuan Investment Management Co., Ltd. pledged 9.33% of its equity in the Company to Bank of Guangzhou Co., Ltd.

12.2 Subsidiaries of the Company

Please refer to Note IX.1 "Equity in subsidiaries" for details.

12.3 Associate of the Group

Please refer to Note IX.2 "Equity in associates" for major associates of the Group. There is no other joint venture and associate.

12.4 Other related parties

Unit: RMB

Name of other related parties	Relationship with the Group
HNA Group Finance Co., Ltd.	Controlled by the same ultimate controller
Hainan Yingzhi Construction and Development Co., Ltd.	Controlled by the same ultimate controller
Hainan Trans Property Management Company Limited	Controlled by the same ultimate controller
HNA Business Services Co., Ltd.	Controlled by the same ultimate controller
Antu Business Travel Services Co., Ltd.	Controlled by the same ultimate controller
Yunnan Tonghui Hotel Management Co., Ltd.	Controlled by the same ultimate controller
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Controlled by the same ultimate controller
Hainan Guoshang Hotel Management Co., Ltd.	Controlled by the same ultimate controller
Hangzhou Huagang HNA Resort Co., Ltd.	Controlled by the same ultimate controller
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Investee of the Company
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Controlled by the same ultimate controller
Dongguan Yujingwan Hotel	Controlled by the same ultimate controller
Hainan Junbo Hotel Management Co., Ltd.	Controlled by the same ultimate controller
Danzhou HNA Xintiandi Hotel Co., Ltd.	Controlled by the same ultimate controller
Asia-Pacific International Conference Center Co., Ltd.	Controlled by the same ultimate controller
Beijing Capital Airlines Co., Ltd.	Controlled by the same ultimate controller

Name of other related parties	Relationship with the Group
West Air Co., Ltd.	Controlled by the same ultimate controller
Tianjin Airlines Co., Ltd. (天津航空有限責任公司)	Controlled by the same ultimate controller
HNA Hotel Holdings Ltd.	Controlled by the same ultimate controller
Sanya Bay Seaview Real Estate Investment Co., Ltd. Tangla Hotel Sanya	Controlled by the same ultimate controller
Yunshangtong International Holdings Co., Ltd.	Controlled by the same ultimate controller
Hainan Fushun Investment Development Co., Ltd.	Other related party
Yunnan Lucky Air Co., Ltd.	Other related party
Hainan Airlines Holding Co., Ltd.	Other related party
HNA Hotel (Group) Co., Ltd. (海航酒店（集團）有限公司)	Controlled by the same ultimate controller
HNA Hotel Group (Hong Kong) Co., Ltd.	Controlled by the same ultimate controller
Tunchang HNA Agricultural Park Investment Co., Ltd. (屯昌海航農業公園投資有限公司)	Controlled by the same ultimate controller
Changchun Nobel Hotel Co., Ltd.	Controlled by the same ultimate controller

12.5 Related party transactions

12.5.1 Related party transactions for the purchase and sale of goods, provision and receipt of services

12.5.1.1 Purchase of goods/Receipt of services

Unit: RMB

Related party	Related transaction content	Amount for the period	Amount for previous period
HNA Business Services Co., Ltd.	Service fees	1,500.00	4,115.00
Yunnan Lucky Air Co., Ltd.	Property and utility fees	1,007,142.84	652,857.14

12.5.1.2 Sale of goods/Provision of services

Unit: RMB

Related party	Related transaction content	Amount for the period	Amount for previous period
Beijing Capital Airlines Co., Ltd.	Catering, accommodation	266,668.00	720,862.30
West Air Co., Ltd.	Catering, accommodation	36,085.00	55,117.00
Yunnan Lucky Air Co., Ltd.	Catering, accommodation	742,742.90	6,566,427.29
Hainan Airlines Holding Co., Ltd.	Catering, accommodation	16,850.00	124,127.00
Tianjin Airlines Co., Ltd. (天津航空有限責任公司)	Catering, accommodation	17,610.00	
Dongguan Yujingwan Hotel	Catering		3,140,715.69
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Catering		1,204,913.54

12.5.2 Related party lease

12.5.2.1 The Company as a lessee

Unit: RMB

Lessor name	Type of leased assets	Rental expense recognized in the period	Rental expense recognized in previous period
Dongguan Yujingwan Hotel	Hotel premises leasing	2,605,321.10	2,605,321.10
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Hotel premises leasing	890,285.61	890,285.71
Yunnan Lucky Air Co., Ltd.	Hotel premises leasing	1,628,571.42	1,571,428.56
Hainan Fushun Investment Development Co., Ltd.	Office leasing	453,141.00	

12.5.3 Related party funds lending

Unit: RMB

Related party	Borrowing amount	Starting date	Maturity date	Description
Borrowing:				
Yunshangtong International Holdings Co., Ltd.	1,886,900.00	Actual lending date	31 December 2021	

12.6 Amounts due to/from related parties

12.6.1 Receivables

Unit: RMB

Item	Closing balance		Beginning balance	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Accounts receivable:				
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	243,899.02	23,620.74	472,414.87	23,620.74
Beijing Capital Airlines Co., Ltd.	884,600.30	30,896.62	617,932.30	30,896.62
West Air Co., Ltd.	42,592.00	325.35	6,507.00	325.35
Yunnan Lucky Air Co., Ltd.	742,742.90			
Hainan Airlines Holding Co., Ltd.	83,206.00	3,317.80	66,356.00	3,317.80
Tianjin Airlines Co., Ltd. (天津航空有限責任公司)	65,549.00	2,396.95	47,939.00	2,396.95
Total	2,062,589.22	60,557.46	1,211,149.17	60,557.46
Other receivables:				
Changchun Nobel Hotel Co., Ltd.	368.00	18.40	368.00	18.40
HNA Business Services Co., Ltd.	30,375.00	1,443.75	28,875.00	1,443.75
Asia-Pacific International Conference Center Co., Ltd.	771,919.39	47,452.08	812,546.73	47,452.08
Dongguan Yujingwan Hotel	2,839,800.00		2,839,800.00	
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	2,000,000.00		2,000,000.00	
HNA Group Finance Co., Ltd.	71,404,102.96	71,404,102.96	71,765,302.96	71,765,302.96
Total	77,046,565.35	71,453,017.19	77,446,892.69	71,814,217.19

12.6.2 Payables

Unit: RMB

Item	Closing balance	Beginning balance
Accounts payable:	6,800.00	
Hainan Guoshang Hotel Management Co., Ltd.	2,219.96	
Total	9019.96	
Non-current liabilities due within one year:		
Yunnan Lucky Air Co., Ltd.	5,052,380.86	4,914,735.73
Dongguan Yujingwan Hotel	2,605,321.10	5,164,355.79
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	890,285.61	874,468.73
Total	8,547,987.57	10,953,560.25
Lease liabilities:		
Yunnan Lucky Air Co., Ltd.	11,876,867.44	11,582,700.60
Total	11,876,867.44	11,582,700.60
Other payables:		
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	681,578.09	681,578.00
Great Power Technology Limited	330,138.77	330,138.77
Hainan Yingzhi Construction and Development Co., Ltd.	1,126,337.40	1,100,142.00
Hainan Trans Property Management Company Limited	304,440.40	216,028.42
Beijing Haihongyuan Investment Management Co., Ltd.	1,647,202.95	1,647,202.95

Item	Closing balance	Beginning balance
HNA Business Services Co., Ltd.	1,600.00	3,200.00
Antu Business Travel Services Co., Ltd.	3,260.00	3,260.00
Hainan Guoshang Hotel Management Co., Ltd.	10,290.00	10,290.00
HNA Hotel (Group) Co., Ltd. (海航酒店（集團）有限公司)	20,164.34	20,164.34
HNA Hotel Group (Hong Kong) Co., Ltd.	140,000.00	140,000.00
HNA Hotel Holdings Ltd.	464,280.66	464,280.66
Tunchang HNA Agricultural Park Investment Co., Ltd. (屯昌海航農業公園投資有限公司)	12,666.00	12,666.00
Hainan Fushun Investment Development Co., Ltd.	453,141.00	
Sanya Bay Seaview Real Estate Investment Co., Ltd. Tangla Hotel Sanya	3,422.29	
Yunshangtong International Holdings Co., Ltd.	1,886,900.00	
Total	7,085,421.90	4,628,951.14

12.7 Others

The HNA Group Finance Co., Ltd. ("Finance Company") deposits were converted into other receivables at the end of 2020 and fully accrued for credit impairment losses due to their application for reorganization. According to its reorganization procedures, the deposits have been completed in 2021 first half of the year, the related claims declaration work was completed. As of June 30, 2021, the Group had declared the financial company's claims amounting to RMB 71,404,102.96. Refer to note VI.4 for details.

XIII. Share-based payment

13.1 Overall situation of share-based payment

☐ Applicable √ Not applicable

13.2 Equity-settled share-based payment situation

☐ Applicable √ Not applicable

13.3 Cash-settled share-based payment situation

☐ Applicable √ Not applicable

13.4 Modification and termination of share-based payment

13.5 Others

XIV. Commitment and Contingent Events

14.1 Significant commitment

As at 30 June 2021, the Group has no significant commitment required to be disclosed.

14.2 Contingent events

14.2.1 Contingent liabilities resulting from arbitration of pending litigation and their financial impacts

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 case was heard by the First Intermediate People's Court of Hainan Province on 25 January 2021. 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. (新東北電氣（瀋陽）高壓隔離開關有限公司)), 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.

According to the first-instance judgment, the court of first 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). The Company received Fushun Electric Porcelain's Application of Civil Appeal from the First Intermediate People's Court of Hainan Province by post on 26 February 2021. Fushun Electric Porcelain refused to accept the first ruling and appealed to Hainan Higher People's Court, claiming as follows: (i) amend the sentence according to law or remand it for retrial, and sustain Item I of the civil written order ((2019) Qiong 96 Min Chu No.381); (ii) amend the sentence according to law or remand it for retrial, and adjudicate Northeast Electric 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 (iii) the respondent shall bear all the litigation costs. Since the second trial has not yet commenced and there is no final judgment of the court, it is impossible to determine the influence on the Company.

XV. Post Balance Sheet Date Events

15.1 Major non-adjusting events

Lawsuit pending ruling refers to the case of employee settlement compensation dispute – State-owned Asset Supervisory Commission of Tiexi District of Shenyang City (hereafter "Tiexi Commission") vs. Shenyang High-Voltage Switchgear Co., Ltd. (hereafter "Shenyang HVS") & New Northeast Electric (Shenyang) High-Voltage Switches Co., Ltd. (hereafter "New Northeast High-Volt").

In May 2007, the Company and Shenyang HVS entered into an agreement with Tiexi Commission, i.e., the Agreement of Shenyang HVS Employees Settlement Affairs, then in June and November of 2008, the 3 parties signed the Agreement of Proper Settlement of Shenyang HVS Employees and the Supplementary Agreement, and New Northeast High-Volt guaranteed for the relevant settlement payments. Settlement involved in these agreements totaled RMB132,390,000.00, for which Shenyang HVS has paid RMB103,860,000.00 up to July 2011. To date, there's an outstanding amount of RMB28,530,000.00.

Consequently in May 2017, Tiexi Commission sued the Company and Shenyang HVS with the Intermediate People's Court of Shenyang City ("Shenyang Intermediate Court"), claiming RMB37,745,190.00 for settlement compensation, interest and penalty, and New Northeast High-Volt to take up joint and several guarantee. The Company appealed on jurisdiction of the Court which was dismissed by Shenyang Intermediate Court. Then the Company appealed to the Higher People's Court of Liaoning Province ("Higher Court of Liaoning Province"), which ruled to dismiss the appeal with Civil Judgment (2017) Liao Min Xia Zhong No. 196 on 6 December 2017, sustaining the ruling by Shenyang Intermediate Court.

Although there deemed to be disputes in nature of the case, limitation of action and validity of the agreements, the Company's representing lawyer is of view that the case would probably be ruled by the Court for the Company and Shenyang HVS to settle full payment as it is concerning wellbeing of employees. Also, as Shenyang HVS's business license has been revoked, the Company has estimated liability of RMB37,745,190.00 in 2017 according to the lawyer's opinion.

On 12 June 2018, the case was heard in the Shenyang Intermediate People's Court. On 18 July, the Shenyang Intermediate People's Court issued Civil Judgment (2017) Liao 01 Min Chu No. 430. The Shenyang Intermediate People's Court held that when the plaintiff Tiexi Commission reclaimed its rights to NEE on 21 July 2016, it had exceeded the two-year statute of limitations. The Shenyang Intermediate People's Court did not support the claim that the plaintiff Tiexi Commission requested the defendant NEE to repay the arrears of RMB28.53 million, interest and penalty. The plaintiff Tiexi Commission refused to accept the first ruling and appealed to the Higher Court of Liaoning Province. On 8 May 2019, the Higher Court of Liaoning Province tried the case in the second instance and issued a civil order ((2018) Liao Min Zhong No.1032) on 21 August 2019, ruling as follows: the civil judgment (Liao 01 Min Chu (2017) No. 430) issued by Liaoning Shenyang Municipal Intermediate People's Court shall be abrogated; a retrial for this case shall be performed by Liaoning Shenyang Municipal Intermediate People's Court. The case was transferred by Shenyang Intermediate Court to the First Intermediate People's Court of Hainan Province on 11 February 2020 for jurisdiction and was tried on 10 August 2020.

On 16 September 2020, the First Intermediate People's Court of Hainan Province issued the Civil Judgement ((2020) Qiong 96 Min Chu No. 81), and it judged as follows: (i) the defendant Shenyang High Voltage Switchgear Co., Ltd. ("Shenyang HVS") should pay RMB28.53 million as well as the liquidated damages of RMB1.4265 million to Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau ("Tiexi SASAB") within fifteen days from the date when the judgement takes effect; and (ii) reject other claims of the plaintiff Tiexi SASAB. Tiexi SASAB refused to accept the first ruling and appealed to Hainan Higher People's Court.

The Company received the Notice of Appearance, Notice to Produce Evidence and other materials from Hainan Higher People's Court by post on 26 January 2021. Hainan Higher People's Court accepted the case on 25 January 2021, and the second trial number is (2021) Qiong Min Zhong No. 36. As of the reporting date, the company has received the second-instance judgment. According to the judgment of the second instance, Northeast Electric does not need to bear the responsibility, and Northeast Electric won the final instance. The company will perform the above accounting treatment in the financial statements for the third quarter of 2021 to offset the estimated liabilities by RMB 37,745,190.00.

15.2 Other major post balance sheet date non-adjusting events

In addition to the above events, the Company has no other major post balance sheet date non-adjusting events as at the date of this report.

15.3 Assessment of the impact of the COVID-19 outbreak

Due to overseas outbreak of Coronavirus Disease 2019 ("COVID-19"), the pandemic resurged to some extent in China in second half of 2021. The Group has taken prevention and control measures such as suspending the operation of certain stores. It is expected that the outbreak and preventive measures will have a temporary impact on the Group's operations, the extent of the impact will depend on the development of the epidemic prevention and control, duration and the implementation of domestic and foreign prevention and control policies. The Group will continue to monitor the development of the pneumonia epidemic, assess and respond positively to its impact on the Company.

XVI. Other Major Events

16.1 Segment information

16.1.1 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.

16.1.2 Financial information on the reportable segments

Unit: RMB

Item	Sales of enclosed busbar products	Hotel cantering and accommodation	Undistributed	Inter-segment elimination	Total
Revenue from external operations	18,430,388.22	10,015,948.98			28,446,337.20
Revenue from inter-segment transactions					
Sales expense	2,175,789.94	10,545,099.73			
Gain from investment in associates and joint ventures					
Credit impairment losses					
Losses on asset impairment					
Depreciation and amortization expenses	562,438.26	4,687,230.07	32,525.70		5,282,194.03
Total profit (losses)	-4,680,013.04	-3,347,730.40	-3,825,809.79		-11,853,553.23
Total assets	116,541,981.00	35,126,299.45	184,927,707.93	-192,616,015.21	143,979,973.17
Total liabilities	136,705,620.06	159,887,642.13	236,519,904.12	-192,616,015.21	340,497,151.10

16.1.3 Information on revenue from external transactions

A. Revenue from external transactions

Please refer to note VII.29 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.

16.2 Other important matters affecting the decision-making of investors

16.2.1 Significant uncertainties in regards with continuing operation of the Company

As of 30 June 2021, the Company recorded net loss of RMB-2,006,878,787.06, total liabilities of RMB340,497,151.10, gearing ratio of 236.49%, excess of RMB142,484,840.57 of current liabilities over current assets and equity attributable to parent's shareholders of RMB-198,674,376.15. In the meantime, aggregate compensation for settled litigation amounted to RMB94.00 million. The above major matters which might impact the continuing operation of the Company exists material uncertainties, thus may result in the Company's inability to liquidate assets and repay debts during its normal operation.

XVII. Notes to Major Items in the Financial Statements of the Company

17.1 Accounts receivable

17.1.1 Disclosure by aging

Unit: RMB

Aging	Closing balance
Over 4 years	1,423,911.79
Subtotal	1,423,911.79
Less: Provision for bad debt	1,423,911.79
Total	

17.1.2 Disclosure by method of provision for bad debt

Unit: RMB

Type	Closing balance					Beginning balance				
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt		
	Amount	Ratio (%)	Amount	Ratio of provision (%)	Book value	Amount	Ratio (%)	Amount	Ratio of provision (%)	Book value
Other receivables of provision for bad debt on an individual basis										
Other receivables of provision for bad debt on a collective basis	1,423,911.79	100.00	1,423,911.79	100.00		1,423,911.79	100.00	1,423,911.79	100.00	
Including:										
Accounts receivable of provision for bad debt based on aging	1,423,911.79	100.00	1,423,911.79	100.00		1,423,911.79	100.00	1,423,911.79	100.00	
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	

17.1.2.1 Other receivables of provision for bad debts based on aging combination

Unit: RMB

Item	Closing balance		
	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	100.00

17.1.3 Provision for bad debt

Unit: RMB

Category	Beginning balance	Changes during the year				Closing balance
		Provision	Recoveries or reversals	Write-off	Other changes	
Account receivables	1,423,911.79					1,423,911.79
Total	1,423,911.79					1,423,911.79

17.1.4 Top five accounts receivable by debtor at the end of period

The top five accounts receivable of the Company by debtor at the end of the period amounted to RMB1,363,511.79 in total, accounting for 95.76% of the total balance of accounts receivable at the end of period. A provision for bad debts of RMB1,363,511.79 in total was made as at the end of period.

17.2 Other receivables

Unit: RMB

Item	Closing balance	Beginning balance
Other receivables	249,347,892.08	251,656,394.15
Total	249,347,892.08	251,656,394.15

17.2 Other receivables

17.2.1 Other receivables

17.2.1.1 Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year	2,539,113.90
1 to 2 years	520,891.37
2 to 3 years	136,931,875.34
3 to 4 years	30,106,655.25
Over 4 years	155,705,352.62
Subtotal	325,803,888.48

17.2.1.2 Classification by nature

Unit: RMB

Nature of accounts	Balance at end of period	Balance at beginning of year
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00
Current account with subsidiaries	249,316,662.08	251,635,564.15
Others	397,226.40	386,826.40
Subtotal	325,803,888.48	328,112,390.55

17.2.1.3 Provision for bad debt

Unit: RMB

Provision for bad debt	Phase I Expected credit loss over the next 12 months	Phase II Lifetime expected credit loss (not credit-impaired loans)	Phase III Lifetime expected credit loss (credit-impaired loans)	Total
Balance at the beginning of year			76,455,996.40	76,455,996.40
Balance at the beginning of 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				
Charge off for the year				
Other changes				
Closing balance			76,455,996.40	76,455,996.40

17.2.1.4 Provision for bad debts

Unit: RMB

Category	Beginning balance	Changes during the period				Closing balance
		Provision	Recoveries or reversals	Write-off	Other changes	
Other receivables	76,455,996.40					76,455,996.40
Total	76,455,996.40					76,455,996.40

17.2.1.5 Top five other receivables by debtor at the end of period

Unit: RMB

Name of company	Nature of accounts	Closing balance	Aging	Proportion of the total balance of other receivables at the end of period (%)	Balance of provision for bad debt at the end of period
Hainan Garden Lane Flight Hotel Management Co. Ltd.	Current account	111,825,513.94	Within 3 years	34.32%	
Great Talent Technology Limited	Current account	79,298,247.36	Over 4 years	24.34%	
Benxi Iron & Steel (Group) Co., Ltd.	Current account (with litigation)	76,090,000.00	Over 4 years	23.35%	76,090,000.00
Shenyang Kaiyi Electric Co., Ltd.	Current account	49,849,573.34	Within 4 years	15.30%	
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Current account	6,228,207.28	Within 3 years	1.91%	
Total		323,291,541.92		99.23	76,090,000.00

17.3 Long-term equity investments

17.3.1 Classification

Unit: RMB

Item	Closing balance			Beginning balance		
	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
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

17.3.2 Investment in subsidiaries

Unit: RMB

Investee	Beginning balance(Book value)	Increment	Decrement	Closing balance	Provision for impairment this period(Book value)	Balance of provision for impairment at the end of period
Northeast Electric Development (Hong Kong) Co., Ltd.	53,757,001.09				53,757,001.09	102,942,450.54
Shenyang Kaiyi Electric Co., Ltd.	0.00				0.00	100,000.00
Great Talent Technology Limited	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

XVIII. Supplementary Information

18.1 Breakdown of extraordinary profit or loss for the year

Unit: RMB

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)	889,792.14	Compensation for the construction project of the new factory area of the policy-based demolition subsidiary
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 reorganisation 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 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	9,639.18	
Other items complying with definitions of extraordinary profit or loss		
Subtotal	899,431.32	
Amount of impact on income tax		
Impact on minority interests (after tax)	3.30	
Total	899,428.03	

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).

18.2 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	0.00%	-0.0135	-0.0135
Net profit attributable to ordinary shareholders after deduction of extraordinary profit or loss	0.00%	-0.0146	-0.0146

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

18.3 Differences in figures under domestic and foreign accounting standards

18.3.1 The difference between the net profit and net assets in the financial report disclosed in accordance with the international accounting standards and the Chinese accounting standards

√ Applicable ☐ Not applicable

	Net profit attributable to the equity holders		Net assets attributable to shareholders of the listed company	
	Amount for the period	Amount for previous period	Ending balance	Beginning balance
Chinese accounting standards	-11,819,705.03	-11,818,431.23	-198,674,376.15	-187,420,368.40
International accounting standards	-11,819,705.03	-11,818,431.23	-198,674,376.15	-187,420,368.40

18.3.2 The difference between net profit and net assets in financial reports disclosed in accordance with overseas accounting standards and Chinese accounting standards

☐ Applicable √ Not applicable

Chapter 10 DOCUMENTS AVAILABLE FOR INSPECTION

(I) The originals of financial statements signed and sealed by the legal representative, chief financial officer and head of financial department (accounting supervisor) of the Company;

(II) The originals of all of the documents and announcements of the Company which have been disclosed on the newspapers designated by China Securities Regulatory Commission (CSRC) during the reporting period;

(III) The original of the interim report of the Company.

NEE

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