



**NEE**

中期報告 2024

INTERIM REPORT 2024

输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.....	2
Chapter 2 CORPORATE PROFILE .....	4
Chapter 3 PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS .....	6
Chapter 4 CHANGES IN SHARES AND SHAREHOLDER INFORMATION .....	10
Chapter 5 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT .....	14
Chapter 6 SUMMARY OF BUSINESS .....	16
Chapter 7 DISCUSSION AND ANALYSIS OF BUSINESS CONDITION .....	22
Chapter 8 SIGNIFICANT EVENTS.....	32
Chapter 9 FINANCIAL STATEMENTS .....	38
Chapter 10 DOCUMENTS AVAILABLE FOR INSPECTION.....	182

# Chapter 1 IMPORTANT NOTICE

- 1.1 The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company hereby confirm that there are no false representations, misleading statements or material omissions contained in this report, and they, severally and jointly, accept full responsibility for the truthfulness, accuracy and completeness of the contents of this interim report.
- 1.2 the Company's Chairman, Su Weiguo, Chief Accounting Officer, Liu Kejia, and Chief Financial Officer, Lin Bin hereby represent: guaranteeing the truthfulness, accurateness and integrity of the financial statements in the interim report.
- 1.3 This report has been considered and approved by the 11th meeting of the 10th Board convened on 29 August 2024. 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 2024 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 2024. 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 2024.
- 1.5 the Company proposes not to distribute cash dividend, issue bonus share, or capitalize from capital reserves.
- 1.6 The consolidated turnover is RMB67.97 million in accordance with the IFRS.
- 1.7 The Loss attributable to equity holders of the Company is RMB5.51 million.
- 1.8 Loss per share attributable to equity holders of the Company is RMB0.6 cents.
- 1.9 Unless otherwise stated, Renminbi is the only monetary unit in this announcement.

## 1.10 Definitions

Beijing Haihongyuan	Beijing Haihongyuan Investment Management Co.,Ltd.,a substantial shareholder of the Company
De facto controller of the Company	N/A
Fuxin Busbar	Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company
Garden Lane Hotel	Hainan Garden Lane Flight Hotel Management Co., Ltd., a subsidiary of the Company
HNA Group	HNA Group Co., Ltd., a related party of the Company
HNA Trust Management	Hainan HNA No. 2 Trust Management Service Co., Ltd., a related party of the Company
Hainan First Intermediate People's Court	The First Intermediate People's Court of Hainan Province
Hainan Provincial Higher People's Court	Hainan Provincial Higher People's Court
NEE, the Company, Northeast Electric	Northeast Electric Development Company Limited
NEEQ	National Equities Exchange and Quotations
Stock Exchange	The Stock Exchange of Hong Kong Limited



# Chapter 2 CORPORATE PROFILE

## 2.1 Basic information

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

## 2.2 Contact person and contact in formation

	<b>Secretary to the Board</b>	<b>Representative for securities affairs</b>
<b>Name</b>	Ding Jishi	Zhu Xinguang
<b>Address</b>	35th Internet Finance Building, No.3 Guoxing Avenue, Meilan District, Haikou City,Hainan Province	35th Internet Finance Building, No.3 Guoxing Avenue, Meilan District, Haikou City,Hainan Province
<b>Telephone</b>	0898-65315679	0898-65315679
<b>Fax</b>	0898-65315679	0898-65315679
<b>Email</b>	dbdqshbgs@hnagroup.com	nemm585@sina.com
<b>Website of the Company's designated information disclosure platform</b>		www.hkexnews.hk www.neeq.com.cn
<b>Place for inspection of interim report</b>		Office of the Board

## 2.3 Additional information

<b>Registered address</b>	Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center, Haikou National High-tech Zone, No.266 Hanhai Avenue, Haikou City, Hainan Province
<b>Postal code</b>	571152
<b>Office address</b>	35th Internet Finance Building, No.3 Guoxing Avenue, Meilan District, Haikou City, Hainan Province
<b>Postal code</b>	570203
<b>Website</b>	www.nee.com.cn
<b>E-mail address</b>	dbdqshbgs@hnagroup.com

## 2.4 Registration

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

## 2.5 Agency

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

# Chapter 3 PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

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

### (1) Profit Ability

Unit: RMB

Items	Amount for the reporting period	Amount for the same period of last year	Increase/decrease in the reporting period compared with the same period of last year
Operating incomes	67,972,751.65	39,575,875.51	71.75%
Gross margin%	39.47%	52.51%	Reduce by 13.04 percentage points
Net profits attributable to shareholders of the listed Company	3,587,825.33	-8,551,272.01	-
Net profits attributable to shareholders of the listed Company after extraordinary Items	-5,651,371.37	-9,486,423.63	-
Weighted average return on net assets%(Basis on net profits attributable to shareholders of the listed Company)	N/A	N/A	-
Weighted average return on net assets %(Basis on net profits attributable to shareholders of the listed Company after extraordinary Items)	N/A	N/A	-
Basic earnings per share (RMB/Share)	0.004	-0.01	-

### (2) Debt-paying ability

Unit: RMB

Items	As at the end of the reporting period	As at the end of last year	Increase/decrease in the reporting period compared with the end of last year
Total assets	183,499,965.34	172,429,625.74	6.42%
Total debt	388,944,031.08	380,112,259.45	2.32%
Net assets attributable to shareholders of the listed Company	-207,484,515.09	-209,675,270.81	-
Net asset value per share of the listed	-0.24	-0.24	-

Company			
Asset-liability ratio%(parent Company)	350.60%	332.30%	Increase by 18.30 percentage points
Asset-liability ratio%(consolidated statements)	211.96%	220.44%	Reduce by 8.48 percentage points
Liquidity ratio	0.35	0.31	–
Interest coverage ratio	6.31	-36.99	–

### (3) State of operation

Unit: RMB

Items	Amount for the reporting period	Amount for the same period of last year	Increase/decrease in the reporting period compared with the same period of last year
Net cash flows from operating activities	3,748,191.65	-3,886,138.80	-
Turnover of account receivable	1.81	0.76	-
Turnover of inventories	1.55	0.94	-

### (4) State of growth

Items	Amount for the reporting period	Amount for the same period of last year	Increase/decrease in the reporting period compared with the same period of last year
Total assets growth rate%	6.42%	-11.59%	Increase by 18.01 percentage points
Operating incomes growth rate%	71.75%	8.73%	Increase by 63.02 percentage points
Net profits growth rate%	N/A	N/A	-

### (5) Extraordinary Items and the related amount

Unit: RMB

Items	Amount
Gains and losses on disposal of non-current assets	9,128,100.27
Non-operating income and expense other than the above Items	111,096.43
<b>Total</b>	9,239,196.70
Effect of income tax	
Impact on minority interests (after tax)	
<b>Net extraordinary Items and the related amount</b>	9,239,196.70

**(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*

<b>Items</b>	<b>Reporting period (January-June)</b>	<b>The same period of previous year</b>
Turnover	67,973	39,576
Profit before tax	-6,371	-8,586
Taxation	906	0
Profit after tax	-5,464	-8,586
Minority interests	48	-35
Profits attributable to shareholders	-5,512	-8,551

**Condensed Consolidated Statement of Financial Position**

*Unit: RMB'000*

<b>Items</b>	<b>At the end of this reporting period</b>	<b>At the end of previous year</b>
Total assets	183,500	181,530
Total liabilities	389,849	380,755
Shareholders' equity	-206,349	-199,225

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

Items	Net profits attributable to shareholders of the listed Company		Net assets attributable to shareholders of the listed Company	
	Amount for the reporting period	Amount for the same period of last year	As at the end of the reporting period	As at the end of last year
Domestic accounting standards	3,587,825.33	-8,551,272.01	-207,484,515.09	-209,675,270.81
Items and amounts adjusted according to foreign accounting standards	-9,100,000.00	-	-905,345.47	8,456,817.60
Foreign accounting standards	-5,512,174.67	-8,551,272.01	-208,389,860.56	-201,218,453.21

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

1. During the reporting period, based on the need for integrating resources, replenishing working capital, and promoting continuous operations, the subsidiary Garden Lane Hotel signed a "**Share Transfer Agreement**" with the related party Taisheng Real Estate (Shanghai) Co., Ltd.\* (泰升房地產(上海)有限公司) on January 13 2024, transferring its 30% equity interest in Chongqing Hainan Hotel for RMB9.1 million in cash to Taisheng Real Estate (Shanghai) Co., Ltd. The equity transfer was completed with the change of registration at the administrative bureau for industry and commerce on March 8 2024. According to the PRC GAAP, this asset disposal resulted in a RMB9.1 million investment income. According to the International Financial Reporting Standards (IFRS), the equity interest was reclassified to assets held for sale in 2023, and the impairment was reversed to its fair value of RMB9.1 million, which was available for sale. This led to a RMB9.1 million difference in net profit and net assets between the financial reports disclosed at the end of the previous year under domestic and international accounting standards.

2. According to the PRC GAAP, enterprises are required to accrue and use safety production fees, which are included in special reserves. The amount of special reserves at the end of the previous year was RMB643,182.40, and at the end of the current period, it was RMB905,345.47. According to International Accounting Standards, these are adjusted and included in other payables, which results in a difference in net assets in the financial reports disclosed according to domestic and international accounting standards for both the end of the current period and the end of the previous year.

# 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		34,897	Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any)	0				
Shareholdings of ordinary shareholders holding more than 5% of the total share capital or the top ten ordinary shareholders								
Name of shareholder	Nature of shareholder	Percentage	Number of ordinary shares as at the end of the reporting period	Increase/decrease in the reporting period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Shares pledged or frozen	
							Status of shares	Number
HKSCC Nominees Limited	Overseas legal person	29.44%	257,089,919	20,000	0	257,089,919		
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
Qin Jianming	Domestic natural person	1.68%	14,630,200	1,290,100	0	14,630,200		
Wang Juan	Domestic natural person	1.16%	10,093,600	0	0	10,093,600		
Ding Yinhu	Domestic natural person	0.90%	7,900,032	6,567,700	0	7,900,032		
Zhao Rui	Domestic natural person	0.80%	6,960,310	0	0	6,960,310		
Yu Jun	Domestic natural person	0.79%	6,900,000	420,000	0	6,900,000		
Yang Baizhong	Domestic natural person	0.54%	4,690,579	-809,421	0	4,690,579		
Shi Yubo	Domestic natural person	0.54%	4,690,579	1,440,479	0	4,690,579		
Chen Yingzhu	Domestic natural person	0.51%	4,424,136	0	0	4,424,136		
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			To the extent known to the Company, there is no related relationship between the aforementioned shareholders and they are not acting in concert. Based on the public information as at the latest practicable date prior to the publication of this report and to the knowledge of Directors, the Company confirmed that there was sufficient public float in its shares.					



*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 2024, 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 2024, the Company did not issue any convertible securities, options, warrants or any other similar right.

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

#### Controlling Shareholders

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

#### De facto controller

Nil

# Chapter 5 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR

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

There was no change in shareholdings during the reporting period.

## 5.2 Directors, supervisors and senior management situation

Name	Position	Gender	Date of birth	Term of office commencing on	Term of office ending on
Su Weiguo	Chairman	Male	September 1962	3 January 2023	30 December 2025
Liu Jiangmei	Director	Female	March 1974	30 December 2022	30 December 2025
He Wei	Director	Female	August 1987	30 December 2022	30 December 2025
Ding Jishi	Director	Male	September 1985	30 December 2022	30 December 2025
Mi Hongjie	Director	Male	June 1993	29 December 2021	30 December 2025
Zhu Xinguang	Director	Male	October 1970	30 December 2022	30 December 2025
Fang Guangrong	Independent Director	Male	September 1955	11 March 2019	30 December 2025
Wang Hongyu	Independent Director	Male	March 1972	29 June 2020	30 December 2025
Li Zhengning	Independent Director	Male	March 1980	2 June 2021	30 December 2025
Fan Siyao	Shareholder Representative Supervisor Chairman of Supervisory Board	Male	May 1987	30 December 2022	30 December 2025
Yang Qing	Shareholder Representative Supervisor	Male	August 1982	23 August 2021	30 December 2025
Xing Meixia	Employee Representative Supervisor	Female	June 1988	30 December 2022	30 December 2025
Su Weiguo	General Manager	Male	September 1962	28 July 2021	30 December 2025
Ding Jishi	Secretary to the Board	Male	September 1985	29 August 2019	30 December 2025
Liu Kejia	Chief Financial Officer	Male	February 1977	12 January 2024	30 December 2025

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

Directors, supervisors and senior management have no associated relationship with the controlling shareholder.

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

Name	Initial position	Type	End of term	Reason
Dang Zhaozhao	Chief Financial Officer	Resigned	Nil	Work adjustment
Liu Kejia	None	Appointment	Chief Financial Officer	Operational need

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

Save as disclosed above and to the knowledge of the Directors, senior management and supervisors of the Company, as at 30 June 2024, 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 C3 to the Listing Rules.

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

Classification by nature of work	Number of people at the beginning of the period	Number of people at the end of the period
Production staff	211	201
Salesperson	24	26
Technical staff	23	21
Financial staff	22	23
Administrative staff	38	33
<b>Total</b>	<b>318</b>	<b>304</b>

## 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 was RMB67.97 million, representing an increase of 71.75% as compared to RMB39.58 million for the corresponding period of the previous year; earnings attributable to shareholders after tax and minority interests amounted to RMB3.59 million, with earnings per share of RMB0.004.

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 2024.

## 6.2 Business review for the first half of 2024

In the first half of 2024, the external environment of complex and uncertain factors such as inflation, geopolitical conflicts, and trade frictions will significantly increase, and the global economic growth momentum will be weak. The United Nations has released its World Economic Outlook, which predicts that global economic growth will slow down from 2.7% in 2023 to 2.4% in 2024. From the perspective of the domestic situation, the continuous deepening of domestic structural adjustment has brought new challenges, and effective demand is still insufficient; At the same time, coupled with intensified price fluctuations in the bulk raw material market and weak social expectations, the prospects for economic recovery remain shrouded in fog.

2024 is the year when the "14th Five-Year Plan" economy climbs, and China's power industry continues to grow, especially in the rapid development of renewable energy. Macroeconomic policies highlight the firm determination to promote energy structure transformation and achieve green and low-carbon development goals. With the overall recovery and improvement of the domestic economy, Northeast Electric closely focuses on its annual business goals and tasks, actively seizes the development opportunities brought by the construction of new power systems in China through strict management, cost reduction and efficiency improvement, and strengthening innovation drive. It accelerates the adjustment of product structure, transformation and upgrading, steadily promotes the layout of new busbar products, and focuses on the market development of pumped storage projects and foreign customers, consolidating the market position of busbar products and making every effort to achieve growth in busbar business performance. The hotel business that operates simultaneously, accompanied by a stable and positive macroeconomic situation, continues to release demand for business travel and leisure tourism, and the confidence in the hotel catering and accommodation market is gradually recovering. Calculated on a comparable basis, the hotel business has also achieved recovery growth, stable operation, and can achieve the annual operating budget target.

### **Busbar business**

During this reporting period, Fuxin Busbar has enhanced its strategic vision and seized the opportunity of structural adjustment. Despite the surge in new orders in the previous year, it has maintained a high-speed growth momentum this year. At present, the cumulative increase in new orders is 17% year-on-year, providing a guarantee for the Company's future sustainable operation. The highlight of the sales structure adjustment is winning the bid for the procurement of two sets of 1000MW enclosed busbar equipment for a large domestic power company's power generation project, with a contract amount exceeding RMB20 million, adding new impetus to the market for million dollar unit power generation projects.

### **Hotel business**

According to the results of a domestic tourism sampling survey, in the first half of 2024, there were 2.725 billion domestic trips, a year-on-year increase of 14.3%; Domestic tourists spent a total of RMB2.73 trillion on travel, a year-on-year increase of 19.0%.

During the reporting period, with the continued recovery of the economy and the gradual effectiveness of policies, new vitality was brought to the hotel industry, continuing the positive trend of last year's recovery and growth. On the other hand, the market still faces challenges brought about by corporate budget cuts and consumption downgrades.

With the recovery of Dalian's cultural and tourism market and the entry policies of surrounding countries, as well as the gradual entry of the hotel industry into peak season, the reporting period has undertaken Dalian sports events and the Summer Davos. The weekly occupancy rate and revenue of hotels are gradually recovering, and hotel revenue has increased year-on-year.

### 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.

The wholly-owned subsidiary of the Company, Fuxin Busbar, continues to rely on technological innovation to promote enterprise development: it has established a provincial-level innovation studio in Liaoning, organized and carried out technological process research and innovation activities, and has obtained a total of 39 national utility model patents; We have completed the design, development, production, and sales of five new products, including fully insulated cast busbars, fully insulated tubular busbars, intelligent busbar dehumidification systems, wind turbine tower tubular busbars, and dense busbar trunking, and have fully launched them to the market. Relying on innovative achievements, Fuxin Bus has been awarded the titles of "**National High tech Enterprise**" and "**Innovative Small and Medium sized Enterprise**" in Liaoning Province. The income tax rate for this year is 15%.

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 the Company's risks and countermeasures**

### **1. Market risks brought by macroeconomic environment**

The power transmission and transformation equipment manufacturing industry in which the Company operates has an important impact on the long-term development of the economy and society, and is closely related to macroeconomic policies, industrial policies and national power planning. Any of increasingly complex global economic environment, intensified macroeconomic risks, energy development strategy, industrial structure, market structure adjustment, industry resource integration, changes in market supply and demand and other factors may have an impact on the Company's operation and development.

The hotel industry is in the midst of a tourism recovery. Any of complex domestic and international situations, macroeconomic fluctuations, major natural disasters and other systemic risks; worse-than-expected economic recovery, and worse-than-expected demand for consumption upgrade will have a greater impact on the Company's performance.

Countermeasures: the Company will pay close attention to the macroeconomic situation at home and abroad, and always be market-oriented, establish an operation management and control model to meet market needs, and pay attention to improving its market position; keep increasing market development efforts, consolidate the market share of traditional busbar, make in-depth exploration of new product market space, strengthen the Company's ability to cope with risks; enhance the market response sensitivity, accurately grasp the market demands, expand the market space, and explore new business growth points.

### **2. Market competition risk**

Affected by the macro-economy, the busbar industry in which the Company operates is facing increasingly fierce competition, and the Company will face greater competitive pressure. The hotel industry is a fully competitive industry, and the industry competition is fierce and white-hot. Countermeasures: We will enhance the market response sensitivity, accurately grasp the market demand, expand the market space of new products, and explore new business growth points. In order to cope with the current fierce market competition, the Company has taken a variety of effective measures to enhance brand influence and professional operation capabilities.



### 3. Operating cost fluctuation risk

the Company's busbar products have typical characteristics of "**More emphasis on materials and light industry**", the main raw materials represented by copper and aluminum have high value, and their prices fluctuate significantly with the complex and changing international trade environment, supply and demand relations, macroeconomic situation and other factors, requiring a large amount of capital, and their price fluctuations will directly affect the Company's production cost, and then affect the product profitability. Such fluctuations may even adversely affect the stable operation of the Company.

Meanwhile, with the pressure of economic inflation, the operating costs of hotel rooms and catering of the Company continue to rise, and the costs of hotel materials, raw materials, equipment renewal, energy consumption and labor are increasing year by year. Correspondingly, if the room rate, occupancy rate, per capita consumption level and consumer number cannot be improved, the gross profit of the Company's rooms and catering will be squeezed, and we need to improve the profitability through market research and management efficiency enhancement.

Countermeasures: To this end, the Company will study and judge the changes in the relationship between supply and demand of raw material market in a timely manner, strengthen the strategic cooperation with customers and suppliers in depth, and reduce the impact of raw material price fluctuations on the Company, while strengthening scientific and technological innovation and product innovation, reinforcing the enterprise cost control management, and improving the product profitability.

### 4. Risk of account receivable

Due to the long payment cycle of busbar products, high concentration of users, weak bargaining power of manufacturers, long quality guarantee deposit period and other reasons, the amounts of accounts receivable and inventory at the end of the period are large, affecting the operating efficiency to a certain extent, increasing the Company's capital turnover pressure, operating costs and risks.

Countermeasures: On the one hand, the Company will focus on developing high-quality customers and strengthening customer credit ratings. And on the other hand, the Company will continuously monitor the age of accounts receivable, strengthen collection efforts, and reduce the impairment risk of accounts receivable, in order to effectively prevent financial risks.

## 5. Continuous operation capability risk

the Company's overseas auditor Wilson & Partners CPA Limited ("**Overseas Auditor**") issued an unmodified audit opinion with a Material Uncertainty Related to Going Concern for the year 2023: We draw attention to Note III.1 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB5,956,000 during the year ended 31 December 2023 and, as at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB207,569,000 and the Group's total liabilities exceeded its total assets by approximately RMB199,226,000, while the Group had cash and cash equivalents of approximately RMB6,444,000. These conditions, along with other matters as set forth in Note III.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Response measures: Please refer to the "**Notes made by the Board on the non-standard audit report issued by the accounting**" in the 2023 Annual Report for details.

There have been no significant changes in major risks during this reporting period.

### 6.5 Prospects for the second half of the year

Centered on the annual business objectives and work tasks for 2024, 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 2023. 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.

# Chapter7 DISCUSSION AND ANALYSIS OF BUSINESS CONDITION

## Analysis of principal business prepared under the PRC GAAP

### 7.1 Overview

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

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

## 7.2 Analysis of changes in major financial information

### 7.2.1 Analysis of Asset Liability Structure

√ Applicable □ Not applicable

Unit: RMB

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 %
	Amount	As a percentage of total assets %	Amount	As a percentage of total assets %	
Monetary funds	14,118,036.27	7.69%	12,158,690.85	7.05%	16.11%
Notes receivable	2,640,000.00	1.44%	2,190,953.98	1.27%	20.50%
Accounts receivable	37,597,909.83	20.49%	38,330,429.55	22.23%	-1.91%
Advances to suppliers	4,084,578.65	2.23%	4,324,824.87	2.51%	-5.56%
Other receivables	11,051,272.67	6.02%	13,549,959.28	7.86%	-18.44%
Inventories	31,970,439.90	17.42%	21,185,633.00	12.29%	50.91%
Contract assets	10,922,017.39	5.95%	4,516,811.38	2.62%	141.81%
Other current assets	1,452,618.23	0.79%	1,487,133.24	0.86%	-2.32%
Fixed assets	34,200,613.15	18.64%	35,678,380.20	20.69%	-4.14%
Right-of-use assets	3,454,785.95	1.88%	6,909,571.79	4.01%	-50.00%
Intangible assets	11,154,256.57	6.08%	11,286,259.63	6.55%	-1.17%
Other non-current assets	19,083,585.02	10.40%	19,083,585.02	11.07%	-
Deferred Tax Asset	1,769,851.71	0.96%	1,727,392.95	1.00%	2.46%

Unit: RMB

Items	As at the end of the reporting period		As at the end of last year		Increase/decrease in the reporting period compared with the end of last year %
	Amount	As a percentage of total liabilities %	Amount	As a percentage of total liabilities %	

Accounts payable	48,893,223.56	12.57%	44,972,106.04	11.83%	8.72%
Contract liabilities	29,844,295.12	7.67%	13,582,689.39	3.57%	119.72%
Employment benefits payable	3,498,636.35	0.90%	5,087,814.8	1.34%	-31.23%
Taxes and fees payable	2,533,634.03	0.65%	2,815,002.87	0.74%	-10.00%
Other payables	228,302,525.54	58.70%	234,938,640.3	61.81%	-2.82%
Non-current liabilities due within one year	7,079,406.84	1.82%	6,909,571.79	1.82%	2.46%
Other current liabilities	2,350,949.91	0.60%	2,539,859.62	0.67%	-7.44%
estimated liabilities	34,354,500.00	8.83%	34,354,500	9.04%	0.00%
Deferred income	31,222,080.84	8.03%	32,184,681.66	8.47%	-2.99%
Deferred income tax liabilities	864,778.89	0.22%	1,727,392.95	0.45%	-49.94%

### Reasons for major changes in the Items

Inventory: Mainly due to a significant increase in contracts for delivery of busbar products this year, resulting in a substantial increase in the Company's investment in raw and auxiliary materials.

Contract assets: Mainly due to the growth in revenue from busbar products over the past two years, as the progress of engineering projects has led to a significant increase in warranty deposits.

Right-of-use assets: Mainly due to the lease contract of the Dalian branch of Garden Lane Hotel, a major subsidiary, expiring on December 31 2024, and the reasonable accrual of depreciation for right-of-use assets during the lease term.

Contract liabilities: Mainly due to the significant increase in new sales contracts signed by the subsidiary Fuxin Busbar, resulting in an increase in advance receipts.

Employment benefits payable: Mainly due to the payment of some overdue salaries from previous years during the reporting period.

Deferred income tax liabilities: mainly due to the reduction of right-of-use assets.

## 7.2.2 Business situation and cash flow analysis

√ Applicable □ Not applicable

Unit: RMB

Items	Amount for the reporting period		Amount for the same period of last year		Increase/decrease in the reporting period compared with the same period of last year %
	Amount	As a percentage of operating incomes %	Amount	As a percentage of operating incomes %	
Operating incomes	67,972,751.65	-	39,575,875.51	-	71.75%
Cost for operation	41,144,798.54		18,793,166.94		118.93%
Gross margin%	39.47%	-	52.51%	-	Reduce by 13.04 percentage points
Taxes and surcharges	366,556.50	0.54%	377,484.54	0.95%	-2.89%
Selling expenses	22,722,939.51	33.43%	19,561,261.94	49.43%	16.16%
Administrative expenses	10,396,547.11	15.30%	9,032,280.66	22.82%	15.10%
Research and development expenses	845,198.23	1.24%	1,165,078.69	2.94%	-27.46%
Financial costs	514,263.44	0.76%	273,585.19	0.69%	87.97%
Investment income	9,124,471.12	13.42%	-	-	-
Gain on disposal of assets	3,628.15	0.01%	-53,416.45	-	-
Other income	1,529,260.06	2.25%	1,072,488.94	2.71%	42.59%
Credit impairment loss	-10,111.68	-	-4,211.67	-	-
Non-operating income	105,441.41	-	26,755.87	-	294.09%
Non-operating expenses	5,655.02	-	598.84	-	844.33%
Income tax expenses	-906,155.22	-	-	-	-
Net cash	3,748,191.65	-	-3,886,138.80	-	-

flows from operating activities					
Net cash flows from investing activities	-102,410.00	-	-	-	-
Net cash flows from financing activities		-	-	-	-

### Reasons for major changes in the Items

Operating incomes: Mainly due to the increase in contracts to be executed by the subsidiary Fuxin Busbar in the reporting period, coupled with a surge in delivery demands, leading to a significant increase in revenue for this period.

Cost for operation: Mainly due to the significant increase in operating income of Fuxin busbar, which led to a substantial increase in its operating costs, coupled with a significant increase in the proportion of operating costs.

Financial costs: Mainly due to the increase in guarantee fees for the issuance of guarantees by the subsidiary Fuxin Busbar.

Investment income : Mainly due to the completion of the industrial and commercial change registration for the 30% equity transaction of Chongqing HNA Hotel Investment Co., Ltd. ("**Chongqing Hotel**"), which resulted in an investment income of RMB9.1 million according to Chinese Accounting Standards.

Gain on disposal of assets: Mainly due to the profit and loss from the disposal of fixed assets in the same period last year.

Other income: Mainly due to the subsidiary Fuxin Busbar successfully implementing the preferential policy of a 5% additional deduction for value-added tax for advanced manufacturing industries, resulting in an increase in other income for this period.

Non-operating income: Mainly due to the birth allowance received by Northeast Electric and its subsidiary Shenyang Kaiyi Electric Co., Ltd. ("**Shenyang Kaiyi**") from the local social security bureau.

Non-operating expenses: Mainly due to the subsidiary Garden Lane Hotel Kunming Branch paying back taxes and late fees for previous years.

Income tax expenses: Mainly due to changes in deferred tax assets and deferred tax liabilities.

Net cash flows from operating activities: Mainly due to the receipt of the equity transfer payment of RMB9.1 million from the Chongqing hotel by Garden Lane Hotel.

Net cash flows from financing activities: Mainly due to the purchase of fixed assets by the subsidiary Fuxin Busbar.

### 7.3 Assets and liabilities at fair value

None

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

*Unit: RMB*

Items	Book value at the end of the year	Reasons for restriction
Monetary fund – other monetary funds	3,996,027.22	Performance guarantee
<b>Total</b>	3,996,027.22	

### 7.5 Disposal of major assets

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



## 7.6 Analysis of major controlling Company and invested Company

*Unit: RMB*

Company name	Company type	Principal business	Registered capital	Total asset	Net as set	Operating income	Net pro fit
Northeast Electric Development (HK) Co.,Ltd.	Subsidiary	Trading	USD20million	75,165,753.07	59,098,507.56	-	-10,259.60
Great Talent Technology Ltd.	Subsidiary	Investment	USD1	89,829,115.67	6,098,977.56	-	-13,429.46
Shenyang Kaiyi Electric Co.,Ltd.	Subsidiary	Manufacturing of Electrical	RMB1million	54,116,509.5	-59,295,391.88	-	-416,826.55
Fuxin Enclosed Busbar Co.,Ltd.	Subsidiary	Manufacturing of enclosed busbars	USD8.5million	129,422,409.12	-38,326,759.53	44,063,362.78	-603,072.89
Hainan Garden Lane Flight Hotel Management Co.,Ltd.	Subsidiary	Public space business	RMB50million	74,258,426.26	-136,457,478.12	23,909,388.87	4,781,640.09
Northeast Electric (Chengdu)Electric Engineering Design Co.,Ltd.	Subsidiary	Electric power engineering	RMB10million	13,263,688.97	6,876,951.90	-	-
NEE Business Travel (Hainan) Information Consulting Co., Ltd.	Subsidiary	Information Consulting Service	RMB1.5million	1,921.51	-1,078.49	-	-657.64
HNA Tianjin Center Development Co.,Ltd.	Invested Company	Property leasing, hotel catering	RMB269,887,709	3,095,990,732.48	414,561,758.37	44,524,236.23	7,432,497.97

## **Analysis of Financial Status of the Company in Accordance with Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited prepared in accordance with the International Financial Reporting Standards (IFRSs)**

### **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 2024, according to the relevant regulations, the Company has no distributable reserve. Pursuant to the resolution approved at the Board meeting on 29 August 2024, 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 (2023: 1.00 million).

### **Working capital and financial resources**

The net cash generated from the Group's operating activities for the half year ended 30 June 2024 was approximately RMB3.75 million (2023: net cash generated from operating activities of approximately RMB3.78 million).

As at 30 June 2024, the Group had bank deposits and cash (including pledged bank balances) of approximately RMB14.12 million (2023: RMB12.16 million) and had no bank loans (2023: nil). Borrowings bear fixed interest rates, and no hedging instruments are hedged.

As of 30 June 2024, the Group had current liabilities of RMB324.37 million, non-current liabilities of RMB65.48 million, and deficits attributable to owners of the Company of RMB208.39 million. 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 2024, the Group's short-term bank borrowings were nil, and the cash and cash equivalents were RMB10.12 million(2023:1.00 million).

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 "**Summary of Business**".

## **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 "**Summary of Business**".

### **Assets pledge**

As of 30 June 2024, the Group's performance guarantees of RMB8.00 million (2023: RMB7.95 million) were secured by the Group's pledge of certain fixed deposits of RMB4.00 million (2023: RMB5.715 million).

### **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 2024, the Group's gearing ratio (calculated as total liabilities/total assets) was 212% (2023: 210%).

### **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 2024, the Company had no material contingent liabilities.

# Chapter8 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 2024, the number of employees on the payroll of the Company was 304. The total salary of employees was RMB13.33 million in the first half of 2024 (the number of employees of the Group was 318 and the total salary of employees was RMB28.73 million in 2023).

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

## 8.3 Corporate governance structure

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

## 8.4 Profit distribution plan and its implementation

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

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

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

## 8.6 Litigation

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

The Supreme People's Court issued an enforcement order ((2017) Zui Gao Fa Zhi Fu No.27) in August 2017 to reject the reconsideration request made by NEE and affirm the enforcement order of Beijing Higher People's Court (2015) Gao Zhi Yi Zi No.52. The enforcement order was final. The case was transferred to Hainan First Intermediate People's Court on 21 June 2019. Hainan First Intermediate People's Court had ruled to terminate this execution procedure on 10 March 2023.

## 8.7 Daily related transactions of the Company during the reporting period

Unit: RMB

Type of Specific Matters	Estimated amount	Actual amount
1. Purchase raw materials, fuel, power, and accept labor services	–	–
2. Selling products, commodities, and providing services	–	–
3. Types of daily connected transactions applicable to the Company stipulated in the Company's articles of association	–	–
4. Acquisition or sale of assets or equity (Note 1)	9,100,000.00	9,100,000.00
5. Venue rental (Note 2)	7,500,000.00	–
6. Others	–	–

Note 1: Connected transaction on transfer of investment in Chongqing HNA Hotel Investment Co., Ltd. for 30% equity therein. Based on the need to integrate resources, supplement working capital, and promote sustainable operations, after deliberation at the eighth Board meeting of the tenth session of NEE on 12 January 2024, the subsidiary Hainan Garden Lane Flight Hotel Management Co., Ltd. ("**Garden Lane Hotel**") and the related party Taisheng Real Estate (Shanghai) Co., Ltd. ("**Taisheng (Shanghai)**") were approved to sign the Agreement on Transfer of Equities in Chongqing HNA Hotel Investment Co., Ltd. ("**Chongqing Hotel**"). Garden Lane Hotel transferred its investment in Chongqing Hotel for 30% equities therein to Taisheng (Shanghai) at RMB9.1 million in cash (as detailed in the announcement dated 12 January 2024). On 8 March 2024, the equity transfer was registered with the administration for industry and commerce as a change.

Note 2: A supplementary agreement to the lease contract entered into On 22 January 2024, as required for the continued operation of the hotel, Garden Lane Hotel (the "**Lessee**"), a non-wholly-owned subsidiary of the Company, entered into a supplementary agreement to the lease contract (the "**Supplementary Agreement**") with Dalian Changjiang Plaza Co., Ltd. (the "**Lessor**"), a related party. According to the Supplementary Agreement, the relevant provisions of the original lease contract were adjusted to extend the lease period for one year, changing the lease period from the original "**1 September 2021 to 31 December 2023**" to "**1 September 2021 to 31 December 2024**", and the rent standard for 2024 was still RMB7.5 million. Apart from the terms expressly adjusted in the Supplementary Agreement, the remainder of the original lease contract shall remain in effect (as detailed in the announcement dated 22 January 2024).

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

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

## **8.9 Significant contracts and their execution**

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

## **8.10 Guarantees**

As at the end of the reporting period, the actual balance of the external guarantee provided by the Company totaled RMB30 million, with Jinzhou Power Capacitors Co., Ltd. as the collateral (An independent third-party company).

## **8.11 Corporate governance**

During the reporting period, the listed issuer strictly complied with the code provisions of Corporate Governance Code as set out in Appendix C1 and had no deviations from the code provisions.

For more details on the implementation, please refer to the Corporate Governance Report disclosed in the Annual Report 2023. After the issuance of the Annual Report, the compliance and execution of the Code by the listed issuer remained unchanged.

## 8.12 Model Code for Securities Transactions by Directors

the Company takes the "**Model Code for Securities Transactions by Directors of Listed Issuers**" (the "**Model Code**") under the Appendix C3 to the Listing Rules as a code of conduct for directors' securities transactions; after accepting specific enquiries, all members of the Board of the Company confirmed that they had complied with the Model Code during their tenure as directors of the Company.

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 29 July 2024 to 29 August 2024, 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 2023 of the Company.

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



## **8.13 Others**

### **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 2024 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 2024.

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 2024.

## **8.14 Subsequent events**

None

# Chapter 9 FINANCIAL STATEMENTS

## I .PREPARED UNDER THE IFRS

### (1) Consolidated Balance Sheet

Unit: RMB

Items	Notes	June 30 2024	December 31 2023
<b>Current assets:</b>			
Monetary funds	V . 1	14,118,036.27	12,158,690.85
Deposit Reservation for Balance			
Lending funds			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	V . 2	2,640,000.00	2,190,953.98
Accounts receivable	V . 3	37,597,909.83	38,330,429.55
Receivables financing			
Advances to suppliers	V . 4	4,084,578.65	4,324,824.87
Receivable premium			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables	V . 5	11,051,272.67	13,549,959.28
Including: Interests receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	V . 6	31,970,439.90	21,185,633.00
Contract assets		10,922,017.39	4,516,811.38
Held-for-sale assets	V . 7		9,100,000.00
Non-current assets due within one year			
Other current assets		1,452,618.23	1,487,133.24
<b>Total current assets</b>	V . 8	<b>113,836,872.94</b>	<b>106,844,436.15</b>
<b>Non-current assets:</b>			
Issuing loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments	V . 9		
Other non-current financial assets	V . 10	19,083,585.02	19,083,585.02
Investment properties	V . 11		
Fixed assets		34,200,613.15	35,678,380.20

Construction in progress	V. 12		
Biological assets held for production			
Oil and gas assets			
Right-of-use assets		3,454,785.95	6,909,571.79
Intangible assets	V. 13	11,154,256.57	11,286,259.63
Development expenditure	V. 14		
Goodwill			
Long-term deferred charges			
Deferred income tax assets		1,769,851.71	1,727,392.95
Other non-current assets	V. 15		
<b>Total non-current assets</b>		<b>69,663,092.40</b>	<b>74,685,189.59</b>
<b>Total asset</b>	V. 16	<b>183,499,965.34</b>	<b>181,529,625.74</b>
<b>Current liabilities:</b>			
Short-term borrowings			1,000,000.00
Borrowings from central bank			
Loans from other banks and other financial institutions			
Financial liabilities held for trading	V. 17		
Derivative financial liabilities			
Notes payable			
Accounts payable		48,893,223.56	44,972,106.04
Advances from customers			
Contract liabilities		29,262,551.53	13,000,945.80
Sell to repurchase financial assets	V. 18		
Deposits from customers and interbank			
Receivings from vicariously traded securities	V. 19		
Receivings from vicariously sold securities			
Employment benefits payable		3,498,636.35	5,087,814.80
Taxes and fees payable		2,332,049.81	2,332,049.81
Other payables		232,342,148.73	239,186,379.00
Including: Interests payable	V. 20		
Dividends payable	V. 21		
Charges and commissions payable	V. 22		
Dividend payable for reinsurance			
Held-for-sale liabilities			
Non-current liabilities due within one year		7,079,406.84	6,909,571.79
Other current liabilities		962,600.82	1,925,201.61
<b>Total current liabilities</b>		<b>324,370,617.64</b>	<b>314,414,068.85</b>
<b>Non-current liabilities:</b>	V. 23		
Reserve fund for insurance contracts	V. 24		

Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
estimated liabilities	V. 25	34,354,500.00	34,354,500.00
Deferred income		30,259,480.02	30,259,480.05
Deferred income tax liabilities		864,778.89	1,727,392.95
Other non-current liabilities	V. 26		
<b>Total non-current liabilities</b>	<b>V. 27</b>	<b>65,478,758.91</b>	<b>66,341,5373.00</b>
<b>Total liabilities</b>		<b>389,849,376.55</b>	<b>380,755,441.85</b>
<b>Shareholders' equity:</b>			
Share capital		873,370,000.00	873,370,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds	V. 28		
Capital reserves		1,083,997,337.88	1,083,997,337.88
Less: Treasury stock			
Other comprehensive income		-260,018,769.81	-258,359,537.13
Designated reserves	V. 29		
Surplus reserves		108,587,124.40	108,587,124.40
General risk provision	V. 30		
Retained earnings	V. 31	-2,014,325,553.03	-2,008,813,378.36
Total equity attributable to shareholders of the Parent	V. 32	-208,389,860.56	-201,218,453.21
Minority interests		2,040,449.35	1,992,637.10
<b>Total shareholders' equity</b>	<b>V. 33</b>	<b>-206,349,411.21</b>	<b>-199,225,816.11</b>
<b>Total liabilities and shareholders' equity</b>		<b>183,499,965.34</b>	<b>181,529,625.74</b>

*the Company's Chairman:*  
**Su Weiguo**

*Chief Financial Officer:*  
**Liu Kejia**

*Chief Accounting Officer:*  
**Lin Bin**

## (2) Balance Sheet of parent company

Unit: RMB

Items	Notes	June 30 2024	December 31 2023
<b>Current assets:</b>			
Monetary funds		542.63	2,051.94
Deposit Reservation for Balance			
Lending funds			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing		143,922.83	4,183,583.42
Advances to suppliers			
Receivable premium			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables			
Including: Interests receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories			
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		620,824.01	620,824.01
<b>Total current assets</b>		<b>765,289.47</b>	<b>4,806,459.37</b>
<b>Non-current assets:</b>			
Issuing loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments		56,436,473.03	56,436,473.03
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		11,922.46	13,467.40
Construction in progress			
Biological assets held for production			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development expenditure			

Goodwill			
Long-term deferred charges			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>56,448,395.49</b>	<b>56,449,940.43</b>
<b>Total asset</b>		<b>57,213,684.96</b>	<b>61,256,399.80</b>
<b>Current liabilities:</b>			
Short-term borrowings			
Borrowings from central bank			
Loans from other banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contract liabilities		581,743.59	581,743.59
Sell to repurchase financial assets			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employment benefits payable		2,276,644.40	3,616,321.99
Taxes and fees payable		-128,442.70	228,273.88
Other payables		163,509,380.95	164,771,339.24
Including: Interests payable			
Dividends payable			
Charges and commissions payable			
Dividend payable for reinsurance			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>166,239,326.24</b>	<b>169,197,678.70</b>
<b>Non-current liabilities:</b>			
Reserve fund for insurance contracts			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			

Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		34,354,500.00	34,354,500.00
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>34,354,500.00</b>	<b>34,354,500.00</b>
<b>Total liabilities</b>		<b>200,593,826.24</b>	<b>203,552,178.70</b>
Share capital		873,370,000.00	873,370,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		996,869,700.23	996,869,700.23
Less: Treasury stock			
Other comprehensive income			
Designated reserves			
Surplus reserves		108,587,124.40	108,587,124.40
General risk provision			
Retained earnings		-2,122,206,965.91	-2,121,122,603.53
<b>Total shareholders' equity</b>		<b>-143,380,141.28</b>	<b>-142,295,778.90</b>
<b>Total liabilities and shareholders' equity</b>		<b>57,213,684.96</b>	<b>61,256,399.80</b>



### (3) Consolidated income statement

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I. Total operating income</b>		<b>67,972,751.65</b>	<b>39,575,875.51</b>
Including: Revenue from operation	V.34	67,972,751.65	39,575,875.51
Interest income			
The premium has been made			
Fee and commission income			
<b>II. Total operating costs</b>		<b>76,013,873.09</b>	<b>49,202,857.96</b>
Including: Cost for operation	V.34	41,144,798.54	18,793,166.94
Interest expense			
Service charge and commission fee			
Surrender value			
Net payments for insurance claims			
Draw the net insurance liability reserve			
Bond insurance expense			
Reinsurance expenses			
Taxes and surcharges	V.35	366,556.50	377,484.54
Selling expenses	V.36	22,722,939.51	19,561,261.94
Administrative expenses	V.37	10,764,545.32	9,032,280.66
Research and development expenses	V.38	845,198.23	1,165,078.69
Financial costs	V.39	169,834.99	273,585.19
Including: Interest expense		169,834.99	158,719.27
Interest income			-11,311.63
Add: Other income	V.40	1,552,829.82	1,072,488.94
Investment income (loss presented with "-" prefix)	V.41	24,471.12	
Including: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Exchange earning(loss presented with "-" prefix)			
Net open hedge income (loss presented with "-" prefix)			
Gain from changes in fair value (loss presented with "-" prefix)			
Credit impairment loss (loss presented with "-" prefix)	V.42	-10,111.68	-4,211.67
Asset impairment loss (loss	V.43		

presented with "-" prefix)			
Gain on disposal of assets (loss presented by "-" prefix)	V.44	3,628.15	-53,416.45
<b>III. Profit from operation (loss presented with "-" prefix)</b>		<b>-6,470,304.03</b>	<b>-8,612,121.63</b>
Add: Non-operating income	V.45	105,441.41	26,755.87
Less: Non-operating expenses	V.46	5,655.02	598.84
<b>IV. Total profits (total loss presented with "-" prefix)</b>		<b>-6,370,517.64</b>	<b>-8,585,964.60</b>
Less: Income tax expenses	V.47	-906,155.22	
<b>V. Net profit (net loss presented with "-" prefix)</b>		<b>-5,464,362.42</b>	<b>-8,585,964.60</b>
Include: the net profit realized by the merged party before the merger			
A. Classified by business continuity		-	-
1. Net profit from continued operations (net loss presented with "-" prefix)		-5,464,362.42	-8,585,964.60
2. Net profit from discontinued operations (net loss presented with "-" prefix)			
B. Classified by ownership		-	-
1. Net profit attributable to shareholders of the Parent (net loss presented with "-" prefix)		-5,512,174.67	-8,551,272.01
2. Profits and losses attributable to minority interests (net loss presented with "-" prefix)		47,812.25	-34,692.59
<b>VI. Net after-tax other comprehensive income</b>		<b>-1,659,232.68</b>	<b>-352,134.01</b>
A. Net after-tax other comprehensive income attributable to shareholders of the Parent		-1,659,232.68	-352,134.01
1. Other comprehensive income not reclassification to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income of non-convertible profit and loss under the equity method			
(3) Changes in fair value of other			

equity instruments investment			
(4) Changes in fair value of the Company's own credit risk			
(5) Others			
2. Other comprehensive income reclassification to profit or loss		-1,659,232.68	-352,134.01
(1) Other comprehensive income of convertible profit and loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedge reserve			
(6) Exchange difference on translation of foreign financial statements		-1,659,232.68	-352,134.01
(7) Others			
B. Net after-tax other comprehensive income attributable to minority interests			
<b>VII. Total comprehensive income</b>		<b>-7,123,595.10</b>	<b>-8,938,098.61</b>
A. Total comprehensive income attributable to shareholders of the Parent		-7,171,407.35	-8,893,239.93
B. Total comprehensive income attributable to minority interests		47,812.25	-44,858.68
<b>VIII. Earning per share:</b>			
A. Basic earning per share (RMB per share)		-0.006	-0.01
B. Diluted earning per share (RMB per share)		-0.006	-0.01

#### (4) Parent company income statement

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I Revenue from operation</b>			
Less: Cost for operation			
Taxes and surcharges			
Selling expenses			
Administrative expenses		1,140,180.05	1,097,555.99
Research and development expenses			
Financial costs		344.94	-2.99
Including: Interest expense			
Interest income		-1.56	-2.99
Add: Other income			
Investment income (loss presented with "-" prefix)			
Including: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Exchange gains (loss presented with "-" prefix)			
Net open hedge income (loss presented with "-" prefix)			
Gain from changes in fair value (loss presented with "-" prefix)			
Credit impairment loss (loss presented with "-" prefix)			2,700
Asset impairment loss (loss presented with "-" prefix)			
Gain on disposal of assets (loss presented by "-" prefix)			
<b>II. Profit from operation (loss presented with "-" prefix)</b>		<b>-1,140,524.99</b>	<b>-1,094,853.00</b>
Add: Non-operating income		56,162.61	
Less: Non-operating expenses			
<b>III. Total profits (total loss presented with "-" prefix)</b>		<b>-1,084,362.38</b>	<b>-1,094,853.00</b>
Less: Income tax expenses			
<b>IV. Net profit (net loss presented with "-" prefix)</b>		<b>-1,084,362.38</b>	<b>-1,094,853.00</b>
1. Net profit from continued operations		-1,084,362.38	-1,094,853.00

(net loss presented with "-" prefix)			
2. Net profit from discontinued operations (net loss presented with "-" prefix)			
<b>V. Net after-tax other comprehensive income</b>			
1. Other comprehensive income not reclassifiable to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income of non-convertible profit and loss under the equity method			
(3) Changes in fair value of other equity instruments investment			
(4) Changes in fair value of the Company's own credit risk			
(5) Others			
2. Other comprehensive income reclassification to profit or loss			
(1) Other comprehensive income of convertible profit and loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedge reserve			
(6) Exchange difference on translation of foreign financial statements			
(7) Others			
<b>VI. Total comprehensive income</b>		-1,084,362.38	-1,094,853.00
<b>VII. Earning per share:</b>			
A. Basic earning per share (RMB per share)			
B. Diluted earning per share (RMB per share)			

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

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I. Cash flows from operating activities:</b>			
Cash received for sales of goods and rendering of services		81,280,470.53	49,766,810.01
Net increase in customer deposits and interbank deposits			
Net increase in borrowing from the central bank			
Net increase in funds borrowed from other financial institutions			
Cash received from the original insurance contract premium			
Net cash received from reinsurance operations			
Net increase in policyholders' savings and investment funds			
Cash for interest, fees and commissions		0.01	
Net increase in borrowed funds			
Net increase in repurchase business funds			
Net cash received from agents buying and selling securities			
Tax refund received		285,914.62	591.58
Other cash receipts relating to operating activities	V.49	14,328,473.21	5,176,795.52
<b>Cash inflows from operating activities (subtotal)</b>		<b>95,894,858.37</b>	<b>54,944,197.11</b>
Cash payments for purchase of goods and services		55,940,600.87	34,474,515.64
Net increase in loans and advances to customers			
Net increase in deposits with central banks and interbanks			
Cash to pay the original insurance contract compensation			
Net increase in financial assets held for trading purposes			
Net increase in borrowed funds			
Cash for interest, fees and commissions			
Cash to pay policy dividends			
Cash paid to or on behalf of employees		19,513,151.89	15,284,611.59
Taxes and fees paid		399,755.81	1,425,384.41
Other cash payments relating to operating activities	V.49	16,293,158.15	7,645,824.27
<b>Cash outflows for operating activities (subtotal)</b>		<b>92,146,666.72</b>	<b>58,830,335.91</b>
<b>Net cash flows from operating activities</b>		<b>3,748,191.65</b>	<b>-3,886,138.80</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment withdrawal			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,700.00	

Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Cash inflows from investing activities (subtotal)</b>		<b>3,700.00</b>	
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets		106,110.00	
Cash paid for investment			
Net increase in mortgage loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Cash outflows for investing activities (subtotal)</b>		<b>106,110.00</b>	
<b>Net cash flows from investing activities</b>		<b>-102,410.00</b>	
<b>III. Cash flows from financing activities:</b>			
Cash received from investors			
Including: Cash received by subsidiaries from investments of minority shareholders			
Cash received from loans raised			
Cash received from bond issuance			
Other cash receipts relating to financing activities	V.49		
<b>Cash inflows from financing activities (subtotal)</b>			
Cash paid for debt repayment			
Cash paid for dividends, profit distribution and interests			
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities	V.49		
<b>Cash outflows for financing activities (subtotal)</b>			
<b>Net cash flows from financing activities</b>			
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>		<b>33,314.14</b>	<b>25,854.90</b>
<b>V. Net increase of cash and cash equivalents</b>		<b>3,679,095.79</b>	<b>-3,860,283.90</b>
Add: cash and cash equivalents opening balance		6,442,713.65	8,582,760.25
<b>VI. Cash and cash equivalents closing balance</b>		<b>10,121,809.44</b>	<b>4,722,476.35</b>

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

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I. Cash flows from operating activities:</b>			
Cash received for sales of goods and rendering of services			
Tax refund received			
Other cash receipts relating to operating activities		387,885.34	2.99
<b>Cash inflows from operating activities (subtotal)</b>		<b>387,885.34</b>	<b>2.99</b>
Cash payments for purchase of goods and services			
Cash paid to or on behalf of employees		21,681.87	
Taxes and fees paid			
Other cash payments relating to operating activities		367,712.78	
<b>Cash outflows for operating activities (subtotal)</b>		<b>389,394.65</b>	
<b>Net cash flows from operating activities</b>		<b>-1,509.31</b>	<b>2.99</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment withdrawal			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Cash inflows from investing activities (subtotal)</b>			
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets			
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other business units			



Other cash payments relating to investing activities			
<b>Cash outflows for investing activities (subtotal)</b>			
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities:</b>			
Cash received from investors			
Cash received from loans raised			
Cash received from bond issuance			
Other cash receipts relating to financing activities			
<b>Cash inflows from financing activities (subtotal)</b>			
Cash paid for debt repayment			
Cash paid for dividends, profit distribution and interests			
Other cash payments relating to financing activities			
<b>Cash outflows for financing activities (subtotal)</b>			
<b>Net cash flows from financing activities</b>			
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>			
<b>V. Net increase of cash and cash equivalents</b>		<b>-1, 509. 31</b>	<b>2. 99</b>
Add: cash and cash equivalents opening balance		<b>2, 051. 94</b>	<b>2, 406. 66</b>
<b>VI. Cash and cash equivalents closing balance</b>		<b>542. 63</b>	<b>2, 409. 65</b>

## II. PREPARED UNDER THE PRC GAAP

### AUDIT REPORT

The interim report of the Company has not been audited.

### FINANCIAL STATEMENTS

#### (1) Consolidated Balance Sheet

Unit: RMB

Items	Notes	June 30 2024	December 31 2023
<b>Current assets:</b>			
Monetary funds	V. 1	14,118,036.27	12,158,690.85
Deposit Reservation for Balance			
Lending funds			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	V. 2	2,640,000.00	2,190,953.98
Accounts receivable	V. 3	37,597,909.83	38,330,429.55
Receivables financing			
Advances to suppliers	V. 4	4,084,578.65	4,324,824.87
Receivable premium			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables	V. 5	11,051,272.67	13,549,959.28
Including: Interests receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories	V. 6	31,970,439.90	21,185,633.00
Among them: data resources			
Contract assets	V. 7	10,922,017.39	4,516,811.38
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	V. 8	1,452,618.23	1,487,133.24
<b>Total current assets</b>		<b>113,836,872.94</b>	<b>97,744,436.15</b>
<b>Non-current assets:</b>			
Issuing loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	V. 9		

Other equity instrument investments	V.10		
Other non-current financial assets	V.11	19,083,585.02	19,083,585.02
Investment properties			
Fixed assets	V.12	34,200,613.15	35,678,380.20
Construction in progress			
Biological assets held for production			
Oil and gas assets			
Right-of-use assets	V.13	3,454,785.95	6,909,571.79
Intangible assets	V.14	11,154,256.57	11,286,259.63
Among them: data resources			
Development expenditure			
Among them: data resources			
Goodwill	V.15		
Long-term deferred charges			
Deferred income tax assets	V.16	1,769,851.71	1,727,392.95
Other non-current assets			
<b>Total non-current assets</b>		<b>69,663,092.40</b>	<b>74,685,189.59</b>
<b>Total asset</b>		<b>183,499,965.34</b>	<b>172,429,625.74</b>
<b>Current liabilities:</b>			
Short-term borrowings	V.17		1,000,000.00
Borrowings from central bank			
Loans from other banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	V.18	48,893,223.56	44,972,106.04
Advances from customers			
Contract liabilities	V.19	29,844,295.12	13,582,689.39
Sell to repurchase financial assets			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employment benefits payable	V.20	3,498,636.35	5,087,814.80
Taxes and fees payable	V.21	2,533,634.03	2,815,002.87
Other payables	V.22	228,302,525.54	234,938,640.33
Including: Interests payable			
Dividends payable			
Charges and commissions payable			
Dividend payable for reinsurance			

Held-for-sale liabilities			
Non-current liabilities due within one year	V. 23	7,079,406.84	6,909,571.79
Other current liabilities	V. 24	2,350,949.91	2,539,859.62
<b>Total current liabilities</b>		<b>322,502,671.35</b>	<b>311,845,684.84</b>
<b>Non-current liabilities:</b>			
Reserve fund for insurance contracts			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities	V. 25		
Long-term payables			
Long-term employee benefits payable			
estimated liabilities	V. 26	34,354,500.00	34,354,500.00
Deferred income	V. 27	31,222,080.84	32,184,681.66
Deferred income tax liabilities		864,778.89	1,727,392.95
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>66,441,359.73</b>	<b>68,266,574.61</b>
<b>Total liabilities</b>		<b>388,944,031.08</b>	<b>380,112,259.45</b>
<b>Shareholders' equity:</b>			
Share capital	V. 28	873,370,000.00	873,370,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	V. 29	1,083,997,337.88	1,083,997,337.88
Less: Treasury stock			
Other comprehensive income	V. 30	-260,018,769.81	-258,359,537.13
Designated reserves	V. 31		
Surplus reserves	V. 32	108,587,124.40	108,587,124.40
General risk provision			
Retained earnings	V. 33	-2,014,325,553.03	-2,017,913,378.36
Total equity attributable to shareholders of the Parent		-207,484,515.09	-209,675,270.81
Minority interests		2,040,449.35	1,992,637.10
<b>Total shareholders' equity</b>		<b>-205,444,065.74</b>	<b>-207,682,633.71</b>
<b>Total liabilities and shareholders' equity</b>		<b>183,499,965.34</b>	<b>172,429,625.74</b>

*the Company's Chairman:*  
**Su Weiguo**

*Chief Financial Officer:*  
**Liu Kejia**

*Chief Accounting Officer:*  
**Lin Bin**

## (2) Balance Sheet of parent company

Unit: RMB

Items	Notes	June 30 2024	December 31 2023
<b>Current assets:</b>			
Monetary funds		542.63	2,051.94
Deposit Reservation for Balance			
Lending funds			
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Receivables financing		143,922.83	4,183,583.42
Advances to suppliers			
Receivable premium			
Reinsurance accounts receivable			
Provision of cession receivable			
Other receivables			
Including: Interests receivable			
Dividends receivable			
Redemptory monetary capital for sale			
Inventories			
Contract assets			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		620,824.01	620,824.01
<b>Total current assets</b>		<b>765,289.47</b>	<b>4,806,459.37</b>
<b>Non-current assets:</b>			
Issuing loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments		56,436,473.03	56,436,473.03
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		11,922.46	13,467.40
Construction in progress			
Biological assets held for production			
Oil and gas assets			
Right-of-use assets			
Intangible assets			
Development expenditure			

Goodwill			
Long-term deferred charges			
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>56,448,395.49</b>	<b>56,449,940.43</b>
<b>Total asset</b>		<b>57,213,684.96</b>	<b>61,256,399.80</b>
<b>Current liabilities:</b>			
Short-term borrowings			
Borrowings from central bank			
Loans from other banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Contract liabilities		581,743.59	581,743.59
Sell to repurchase financial assets			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employment benefits payable		2,276,644.40	3,616,321.99
Taxes and fees payable		-128,442.70	228,273.88
Other payables		163,509,380.95	164,771,339.24
Including: Interests payable			
Dividends payable			
Charges and commissions payable			
Dividend payable for reinsurance			
Held-for-sale liabilities			
Non-current liabilities due within one year			
Other current liabilities			
<b>Total current liabilities</b>		<b>166,239,326.24</b>	<b>169,197,678.70</b>
<b>Non-current liabilities:</b>			
Reserve fund for insurance contracts			
Long-term borrowings			
Debt instruments payable			
Including: Preferred shares			
Perpetual bonds			

Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		34,354,500.00	34,354,500.00
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>34,354,500.00</b>	<b>34,354,500.00</b>
<b>Total liabilities</b>		<b>200,593,826.24</b>	<b>203,552,178.70</b>
<b>Shareholders' equity:</b>			
Share capital		873,370,000.00	873,370,000
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves		996,869,700.23	996,869,700.23
Less: Treasury stock			
Other comprehensive income			
Designated reserves			
Surplus reserves		108,587,124.40	108,587,124.4
General risk provision			
Retained earnings		-2,122,206,965.91	-2,121,122,603.53
<b>Total shareholders' equity</b>		<b>-143,380,141.28</b>	<b>-142,295,778.90</b>
<b>Total liabilities and shareholders' equity</b>		<b>57,213,684.96</b>	<b>61,256,399.80</b>

### (3) Consolidated income statement

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I. Total operating income</b>		<b>67,972,751.65</b>	<b>39,575,875.51</b>
Including: Revenue from operation	V.34	67,972,751.65	39,575,875.51
Interest income			
The premium has been made			
Fee and commission income			
<b>II. Total operating costs</b>		<b>75,990,303.33</b>	<b>49,202,857.96</b>
Including: Cost for operation	V.34	41,144,798.54	18,793,166.94
Interest expense			
Service charge and commission fee			
Surrender value			
Net payments for insurance claims			
Draw the net insurance liability reserve			
Bond insurance expense			
Reinsurance expenses			
Taxes and surcharges	V.35	366,556.50	377,484.54
Selling expenses	V.36	22,722,939.51	19,561,261.94
Administrative expenses	V.37	10,396,547.11	9,032,280.66
Research and development expenses	V.38	845,198.23	1,165,078.69
Financial costs	V.39	514,263.44	273,585.19
Including: Interest expense		169,834.99	158,719.27
Interest income		-23,569.75	-11,311.63
Add: Other income	V.40	1,529,260.06	1,072,488.94
Investment income (loss presented with "-" prefix)	V.41	9,124,471.12	
Including: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Exchange earning(loss presented with "-" prefix)			
Net open hedge income (loss presented with "-" prefix)			
Gain from changes in fair value (loss presented with "-"prefix)			



Credit impairment loss (loss presented with "-" prefix)	V.42	-10,111.68	-4,211.67
Asset impairment loss (loss presented with "-" prefix)	V.43		
Gain on disposal of assets (loss presented by "-" prefix)	V.44	3,628.15	-53,416.45
<b>III. Profit from operation (loss presented with "-" prefix)</b>		<b>2,629,695.97</b>	<b>-8,612,121.63</b>
Add: Non-operating income	V.45	105,441.41	26,755.87
Less: Non-operating expenses	V.46	5,655.02	598.84
<b>IV. Total profits (total loss presented with "-" prefix)</b>		<b>2,729,482.36</b>	<b>-8,585,964.60</b>
Less: Income tax expenses	V.47	-906,155.22	
<b>V. Net profit (net loss presented with "-" prefix)</b>		<b>3,635,637.58</b>	<b>-8,585,964.60</b>
Include: the net profit realized by the merged party before the merger			
A. Classified by business continuity	-	-	-
1. Net profit from continued operations (net loss presented with "-" prefix)		3,635,637.58	-8,585,964.60
2. Net profit from discontinued operations (net loss presented with "-" prefix)			
B. Classified by ownership	-	-	-
1. Net profit attributable to shareholders of the Parent (net loss presented with "-" prefix)		3,587,825.33	-8,551,272.01
2. Profits and losses attributable to minority interests (net loss presented with "-" prefix)		47,812.25	-34,692.59
<b>VI. Net after-tax other comprehensive income</b>		<b>-1,659,232.68</b>	<b>-352,134.01</b>
A. Net after-tax other comprehensive income attributable to shareholders of the Parent		-1,659,232.68	-352,134.01
1. Other comprehensive income not reclassification to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income of non-convertible profit and loss under the equity method			
(3) Changes in fair value of other			

equity instruments investment			
(4) Changes in fair value of the Company's own credit risk			
(5) Others			
2. Other comprehensive income reclassification to profit or loss		-1,659,232.68	-352,134.01
(1) Other comprehensive income of convertible profit and loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedge reserve			
(6) Exchange difference on translation of foreign financial statements		-1,659,232.68	-352,134.01
(7) Others			
B. Net after-tax other comprehensive income attributable to minority interests			
<b>VII. Total comprehensive income</b>		<b>1,976,404.90</b>	<b>-8,938,098.61</b>
A. Total comprehensive income attributable to shareholders of the Parent		1,928,592.65	-8,893,239.93
B. Total comprehensive income attributable to minority interests		47,812.25	-44,858.68
<b>VIII. Earning per share:</b>			
A. Basic earning per share (RMB per share)		0.004	-0.01
B. Diluted earning per share (RMB per share)		0.004	-0.01

#### (4) Parent company income statement

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I Revenue from operation</b>			
Less: Cost for operation			
Taxes and surcharges			
Selling expenses			
Administrative expenses		1,140,180.05	1,097,555.99
Research and development expenses			
Financial costs		344.94	-2.99
Including: Interest expense			
Interest income		-1.56	-2.99
Add: Other income			
Investment income (loss presented with "-" prefix)			
Including: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Exchange gains (loss presented with "-" prefix)			
Net open hedge income (loss presented with "-" prefix)			
Gain from changes in fair value (loss presented with "-" prefix)			
Credit impairment loss (loss presented with "-" prefix)			2,700
Asset impairment loss (loss presented with "-" prefix)			
Gain on disposal of assets (loss presented by "-" prefix)			
<b>II. Profit from operation (loss presented with "-" prefix)</b>		<b>-1,140,524.99</b>	<b>-1,094,853.00</b>
Add: Non-operating income		56,162.61	
Less: Non-operating expenses			
<b>III. Total profits (total loss presented with "-" prefix)</b>		<b>-1,084,362.38</b>	<b>-1,094,853.00</b>
Less: Income tax expenses			
<b>IV. Net profit (net loss presented with "-" prefix)</b>		<b>-1,084,362.38</b>	<b>-1,094,853.00</b>
1. Net profit from continued operations (net loss presented		-1,084,362.38	-1,094,853.00

with "-" prefix)			
2. Net profit from discontinued operations (net loss presented with "-" prefix)			
<b>V. Net after-tax other comprehensive income</b>			
1. Other comprehensive income not reclassifiable to profit or loss			
(1) Remeasurement of changes in defined benefit plans			
(2) Other comprehensive income of non-convertible profit and loss under the equity method			
(3) Changes in fair value of other equity instruments investment			
(4) Changes in fair value of the Company's own credit risk			
(5) Others			
2. Other comprehensive income reclassification to profit or loss			
(1) Other comprehensive income of convertible profit and loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) The amount of financial assets reclassified into other comprehensive income			
(4) Other debt investment credit impairment provisions			
(5) Cash flow hedge reserve			
(6) Exchange difference on translation of foreign financial statements			
(7) Others			
<b>VI. Total comprehensive income</b>		<b>-1,084,362.38</b>	<b>-1,094,853.00</b>
<b>VII. Earning per share:</b>			
A. Basic earning per share (RMB per share)			
B. Diluted earning per share (RMB per share)			

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

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I. Cash flows from operating activities:</b>			
Cash received for sales of goods and rendering of services		81,280,470.53	49,766,810.01
Net increase in customer deposits and interbank deposits			
Net increase in borrowing from the central bank			
Net increase in funds borrowed from other financial institutions			
Cash received from the original insurance contract premium			
Net cash received from reinsurance operations			
Net increase in policyholders' savings and investment funds			
Cash for interest, fees and commissions		0.01	
Net increase in borrowed funds			
Net increase in repurchase business funds			
Net cash received from agents buying and selling securities			
Tax refund received		285,914.62	591.58
Other cash receipts relating to operating activities	V.49	14,328,473.21	5,176,795.52
<b>Cash inflows from operating activities (subtotal)</b>		<b>95,894,858.37</b>	<b>54,944,197.11</b>
Cash payments for purchase of goods and services		55,940,600.87	34,474,515.64
Net increase in loans and advances to customers			
Net increase in deposits with central banks and interbanks			
Cash to pay the original insurance contract compensation			
Net increase in financial assets held for trading purposes			
Net increase in borrowed funds			
Cash for interest, fees and commissions			
Cash to pay policy dividends			
Cash paid to or on behalf of employees		19,513,151.89	15,284,611.59
Taxes and fees paid		399,755.81	1,425,384.41
Other cash payments relating to operating activities	V.49	16,293,158.15	7,645,824.27
<b>Cash outflows for operating activities (subtotal)</b>		<b>92,146,666.72</b>	<b>58,830,335.91</b>
<b>Net cash flows from operating activities</b>		<b>3,748,191.65</b>	<b>-3,886,138.80</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment			

withdrawal			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,700.00	
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Cash inflows from investing activities (subtotal)</b>		<b>3,700.00</b>	
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets		106,110.00	
Cash paid for investment			
Net increase in mortgage loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash payments relating to investing activities			
<b>Cash outflows for investing activities (subtotal)</b>		<b>106,110.00</b>	
<b>Net cash flows from investing activities</b>		<b>-102,410.00</b>	
<b>III. Cash flows from financing activities:</b>			
Cash received from investors			
Including: Cash received by subsidiaries from investments of minority shareholders			
Cash received from loans raised			
Cash received from bond issuance			
Other cash receipts relating to financing activities	V.49		
<b>Cash inflows from financing activities (subtotal)</b>			
Cash paid for debt repayment			
Cash paid for dividends, profit distribution and interests			
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities	V.49		
<b>Cash outflows for financing activities (subtotal)</b>			
<b>Net cash flows from financing activities</b>			
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>		<b>33,314.14</b>	<b>25,854.90</b>
<b>V. Net increase of cash and cash equivalents</b>		<b>3,679,095.79</b>	<b>-3,860,283.90</b>
Add: cash and cash equivalents opening balance		6,442,713.65	8,582,760.25
<b>VI. Cash and cash equivalents closing balance</b>		<b>10,121,809.44</b>	<b>4,722,476.35</b>

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

Unit: RMB

Items	Notes	January to June 2024	January to June 2023
<b>I. Cash flows from operating activities:</b>			
Cash received for sales of goods and rendering of services			
Tax refund received			
Other cash receipts relating to operating activities		387,885.34	2.99
<b>Cash inflows from operating activities (subtotal)</b>		<b>387,885.34</b>	<b>2.99</b>
Cash payments for purchase of goods and services			
Cash paid to or on behalf of employees		21,681.87	
Taxes and fees paid			
Other cash payments relating to operating activities		367,712.78	
<b>Cash outflows for operating activities (subtotal)</b>		<b>389,394.65</b>	
<b>Net cash flows from operating activities</b>		<b>-1,509.31</b>	<b>2.99</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment withdrawal			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Cash inflows from investing activities (subtotal)</b>			
Cash paid for purchase or construction of fixed assets, intangibles assets and other long-term assets			
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other business units			

Other cash payments relating to investing activities			
<b>Cash outflows for investing activities (subtotal)</b>			
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities:</b>			
Cash received from investors			
Cash received from loans raised			
Cash received from bond issuance			
Other cash receipts relating to financing activities			
<b>Cash inflows from financing activities (subtotal)</b>			
Cash paid for debt repayment			
Cash paid for dividends, profit distribution and interests			
Other cash payments relating to financing activities			
<b>Cash outflows for financing activities (subtotal)</b>			
<b>Net cash flows from financing activities</b>			
<b>IV. Impact of change of foreign exchange rates on cash and cash equivalents</b>			
<b>V. Net increase of cash and cash equivalents</b>		<b>-1, 509. 31</b>	<b>2. 99</b>
Add: cash and cash equivalents opening balance		<b>2, 051. 94</b>	<b>2, 406. 66</b>
<b>VI. Cash and cash equivalents closing balance</b>		<b>542. 63</b>	<b>2, 409. 65</b>



## Company Profile

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

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

The financial statements were approved through the resolution on 29 August 2024 by the Board of Directors of the Company.

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

## Basis of Preparation of Financial Statements

### 1. Basic of preparation

The financial statements of our company are prepared based on the going concern assumption and actual transactions and events, in accordance with the "**Enterprise Accounting Standards - Basic Standards**" and various specific accounting standards, enterprise accounting standards application guidelines, enterprise accounting standards interpretations, and other relevant regulations issued by the Ministry of Finance on or after February 15 2006 (hereinafter referred to as "**Enterprise Accounting Standards**"), as well as with reference to the disclosure provisions of the "**General Provisions on Financial Reports**" of the China Securities Regulatory Commission's "**Information Disclosure Reporting Rules for Companies that Issue Securities to the Public No. 15**".

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

## **2. Continuing operations**

At the 30 June 2024, the Company had a cumulative net loss of RMB-2,014,325,600, the equity attributable to shareholders of the parent Company was RM-207,484,500, and current liabilities were RMB208,665,800 more than current assets. In the meantime, the aggregate compensation for resolved litigation has amounted to RMB94,078,100.

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

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

- (1) Fully maintain the stability of internal and external business environments and plan for long-term sustainable operations. To achieve cash flow balance, rationally plan and adjust the scale of business operations, set prudent business goals, continuously manage operations well, enhance product innovation capabilities, maintain and strengthen the ability to sustain operations, and continuously improve the Company's main profitability. Based on the growth of the Company's main business level within comparable terms in 2023, it is expected that there will be a certain increase in 2024 as well.
- (2) Rationally allocate human resources and strengthen cost control. Northeast Electric Company has now formed a flat management structure, effectively reducing operating costs. At the same time, strengthen comprehensive budget management and cost control, strictly control various expenses, reduce operating costs, and maximize the profitability of the main business.

- (3) Develop new products to enhance market competitiveness. To reverse the loss situation of the main business, with the development of traditional busbar-type power transmission and transformation equipment products as the core, adjust the product structure, while ensuring traditional busbar products, increase the proportion of high-margin renovation projects and insulated pipe busbars in sales revenue, and buy time for future transformation.
- (4) Ensure safe production and resolutely maintain the safety red line. Strengthen organizational leadership, strictly implement the main responsibility, intensively implement various responsibility measures, and ensure stable and safe production. Refine emergency plans, improve emergency response capabilities, and implement safety prevention work with the highest work standards, the strictest work requirements, and the strongest sense of responsibility, to create a good safety environment for the stable and orderly operation and development of the enterprise.
- (5) By strengthening the collection of accounts receivable and seeking external financial support, the Group can ensure its funding needs. Sources of funds: First, the main business intends to improve cash flow by strengthening supply chain management and internal fund management, reducing capital occupancy, accelerating the collection of accounts receivable, increasing the amount of material credit purchases or seeking bank loans; second, seeking support from major shareholders, in addition to the expected transfer proceeds of RMB9.1 million from the transfer of 30% equity in Chongqing HNA Hotel Investment Co., Ltd., also through financial support from major shareholders, to provide the Group with the necessary level of financial support; third, Northeast Electric and its subsidiaries have no loans or borrowings from financial institutions or non-related external entities, and Fuxin Main Line has good bank credit and financing records, with financing capabilities. In the future, it can apply for bank credit and loan support through mortgaging the new plant area according to the needs of its own business development, which is sufficient to support future sustainable operations; through the above measures, the Group can ensure the need for working capital and achieve cash flow balance.

- (6) Make full use of capital market financing channels to introduce strategic investors in both directions. Although the subscription agreement for the issuance of H shares by Northeast Electric to introduce strategic investors in 2023 has expired, fully introducing strategic investors remains the core work of Northeast Electric in 2024. Northeast Electric will, while maintaining the operation of the closed busbar and hotel accommodation catering business, promote the work of introducing strategic investors in both directions. On one hand, by issuing new H shares through the H-share capital market platform, Northeast Electric will raise funds to inject new businesses; on the other hand, by utilizing the plant equipment production technology resources of Fuxin Main Line, strategic investors will be introduced to enrich the product structure of power transmission and transformation equipment and improve new economic growth points. Thus, by introducing strategic investors in both directions, the Company's sustainable operations are ensured.

The above improvement measures will help the Company improve its ability to continue operations, and there are no significant obstacles to the implementation of these measures. Therefore, if these measures are effectively implemented, it is appropriate for the Company to prepare financial statements on the premise of continuing operations. However, if these improvement measures cannot be implemented, the Company may not be able to continue operations, so there is currently significant uncertainty about the Company's ability to continue operations.

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

1. 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 III.30 "Major accounting judgment and estimate".

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

This financial statement complies with the requirements of corporate accounting standards, truly and completely reflecting the consolidated and individual financial status of our Company as of June 30 2024, as well as the consolidated and individual operating results and cash flows for the period from January to June 2024.

#### **3. 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.

#### **4. 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. 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.

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

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

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

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

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

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

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

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

For business combination not under common control, the cost of business combination includes assets paid by the acquirer, liabilities paid or undertaken and the fair value of equity securities issued for the controlling interest of the acquiree on the acquisition date. Costs that are directly attributable to the business combination such as audit fee, legal service fee, consultancy fee and other intermediate expenses as well as other management fees incurred by the Company as acquirer are expensed in the profit or loss in the period incurred. Transaction fees of equity securities or debt securities issued for a business combination are included in the initially recognised amount of equity securities or debt securities. The contingent consideration involved is included in the cost of combination at its fair value on the acquisition date. For conditions that existed at the date of the acquisition and within 12 months from the acquisition date, when there is new or further evidence which requires the adjustment of the contingent consideration, the goodwill arising from the business combination shall be amended accordingly.

The cost of combination incurred and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill; for those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in combination, re-verification is first carried out on the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities as well as the combination cost. For those with combination cost still lower than the portion of fair value of net identifiable assets of acquiree acquired in combination after re-verification, they are recognized in profit or loss for the period.

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

recognised in current profit or loss. Except for the above circumstances, deferred tax assets recognised in relation to business combination are recognised in profit or loss for the period.

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

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

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



## **7. Control of the judgment standard and the preparation method of the consolidated financial statements**

### **(1) Judgment standard of control**

The scope of consolidated financial statements is determined on a control basis. Control means that the Company has the power over the investee, enjoys a variable return by participating in the relevant activities of the investee, and has the ability to use the power to influence the amount of the return. The scope of the merger includes the Company and all of its subsidiaries. Subsidiary, refers to the subject controlled by the Company.

Once the relevant facts and circumstances change the relevant elements involved in the above control definition, the Company will reevaluate

### **(2) Preparation method of consolidated financial statements**

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

In preparing the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting periods of the Company. For subsidiaries acquired from a business combination not under common control, the individual

financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

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

The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to the Company are presented as minority interests and profits and losses attributable to minority interests in the consolidated financial statements under shareholders' equity and net profit respectively.

Subsidiary's net profits or losses for the period attributable to minority interests are presented in the consolidated income statement as "profits and losses attributable to minority interests" under net profit. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

When the control to a subsidiary ceased due to disposal of a portion of equity investment in the subsidiary or other reasons, the remaining equity interest is remeasured at its fair value on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the acquirer since acquisition date according to the original shareholding ratio, is recognised as the investment income from the loss of control. Other comprehensive income in relation to the original equity investment in the subsidiary is accounted on the same basis as the investee when disposing the related assets or liabilities when control ceased (i.e. except for changes due to net liabilities or net assets from such subsidiary's re-measured defined benefits plan, the rest is reclassified as investment income during the period). Subsequent measurement of the remaining interests shall be in accordance with relevant accounting standards such as "Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments" or "Accounting Standards for Business Enterprises No. 22—Financial Instruments Recognition and Measurement", which are detailed in Note IV.16 "Long-term equity investments" or Note IV.11 "Financial

instruments".

The Group shall determine whether a series of transactions in relation to disposal of equity investment in or even loss of control over a subsidiary in stages should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions meet one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: (i) The transactions are entered into simultaneously or after considering the mutual consequences of each individual transaction; (ii) The transactions need to be considered as a whole in order to achieve a deal with commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transaction(s) in the series; and (iv) The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as "disposal of a portion of an interest in a subsidiary which does not lead to loss of control" (detailed in paragraph (2)(iv) under Note IV.14 "Long-term equity investments") and "disposal of a portion of an interest in a subsidiary which leads to loss of control" (detailed in the previous paragraph), as the case may be. When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transaction before loss of control shall be recognised as other comprehensive income in the consolidated financial statements, and reclassified as profit or loss arising from the loss of control when control is lost.

## **8. Joint venture arrangement classification and relative accounting methods**

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

Equity method is adopted to account for investment in the joint ventures by the Group in accordance with the accounting policy as set out in paragraph (2)(ii) "Long-term equity investment accounted for using equity method" under Note IV.14 "Long-term equity investments".

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

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

## **9. 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.

## **10. Translation of foreign currency transactions and foreign currency financial statements**

### **(1) Translation of foreign currency transactions**

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

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

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

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

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

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

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

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

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

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

In case of foreign-currency monetary items that substantially constitute net investment in a foreign operation, the exchange difference arising from changes in exchange rate will

be recognised as other comprehensive income under the item "exchange difference" in consolidated financial statements; when the foreign operation is disposed, the exchange difference will be recognised in the profit or loss during the period of disposal.

## **11. Financial instruments**

Financial instrument means a contract that forms the financial assets of one party and forms the financial liabilities or equity instruments of the other party. Determine a financial asset or financial liability when the Company becomes a party to the financial instrument contract.

Financial assets and financial liabilities are measured at fair value at the initial recognition: ① For financial assets and financial liabilities measured at fair value and whose changes are included in the current profit and loss, relevant transaction expenses are directly included in the current profit and loss; ② for other categories of financial assets and financial liabilities, related transaction expenses are included in the initial recognition amount. The subsequent measurement of financial assets and financial liabilities depends on their classification.

If financial assets or financial liabilities meet one of the following conditions, it indicates that the purpose of holding is transactional: ① The purpose of obtaining relevant financial assets or undertaking relevant financial liabilities is mainly for sale or repurchase in the near term; ② is part of the combination of identifiable financial instruments under centralized management and there is objective evidence of the actual short-term profit pattern in the near term; ③ is a derivative instrument except derivatives that meet the definition of financial guarantee contract and derivative instruments designated as effective hedging instruments.

(1) Debt instruments

Debt instrument refers to the instrument that meets the definition of financial liability from the perspective of the issuer. The classification and subsequent measurement of the debt instruments depends on the business model that the Company manages the financial assets, as well as the contractual cash flow characteristics of the financial assets. If it cannot pass the cash flow characteristics test, it shall be directly classified as financial assets measured at fair value and included in the current profit and loss; the classification depends on the business model of managing financial assets and whether they are designated as financial assets measured at fair value and whose changes are included in the current profit and loss.

① Measured at the amortized cost. The business model of the company to manage such financial assets is to charge the contract cash flow, and the contract cash flow characteristics of such financial assets are consistent with the basic lending arrangement, that is, the cash flow generated on a specific date, only for the payment of the principal and outstanding principal amount, and does not specify such financial assets measured as fair value and its changes in the current profit and loss. The Company recognizes interest income on such financial assets in accordance with the real interest rate method. Gains or losses incurred by the termination of recognition and losses caused by impairment are directly recorded in the current profit and loss.

② Measured at fair value and its changes are included in other comprehensive income. The business model of the Company of such financial assets is for the cash flow of the contract and is consistent with the basic lending arrangement, that is, the cash flow generated on a specific date is only the payment of the principal and interest based on the outstanding principal amount, while such financial assets are measured at fair value and their changes are included in the current profit and loss. Such financial assets are measured at fair value and their changes are included in other comprehensive income, but impairment losses or gains, exchange gains and losses and interest income calculated in accordance with the real interest rate method are included in the current profits and losses. When such financial assets are not recognized, the change in fair value accumulated in other comprehensive income will be carried forward to the current profit and loss. Such financial assets are listed as other debt investments.



③ Measured at fair value and its changes are recorded in the current profit and loss. The company will hold debt instruments not divided by amortized cost and fair value and its changes in other comprehensive income, measured at fair value and its changes in the current profit and loss, classified as financial assets measured at fair value and its changes in the current profit and loss, listed as trading financial assets or other non-current financial assets.

(2) Equity instruments

Equity instrument refers to the instrument that meets the definition of equity instrument from the perspective of the issuer. Equity instrument investment are measured at fair value and their changes are included in the current profit and loss, and are listed as trading financial assets, except those designated by the management of the Company as measured at fair value and its changes are included in other comprehensive income. If designated as measured at fair value and included in the comprehensive income, it shall be listed as other equity instrument investment. Relevant changes in fair value shall not be carried forward to the current profit and loss, and the designation shall not be revoked once made. Related dividend income is included in the current profit and loss. No provision for impairment shall be made for the investment of other equity instruments. Upon the termination of recognition, the accumulated gains or losses previously included in the other comprehensive income shall be transferred out from the other comprehensive income and included in the retained income.

(3) Financial liabilities

Financial liabilities are classified as financial liabilities measured at fair value and recorded in the current profit and loss.

Financial liabilities measured at fair value and whose changes are included in the current profit and loss, including transactional financial liabilities and financial liabilities designated as measured at fair value and whose changes are included in the profit and loss of the current period. When one of the following conditions is met, the financial liability may be designated as the financial liability measured at fair value and whose changes count into the current profit and loss: ① This designation can eliminate or significantly reduce accounting mismatch; ② manage and performance evaluate the financial liability portfolio or financial assets and financial liabilities based on fair value under the risk management or

investment strategy specified in the formal written document and report to the key management personnel on this basis. The designation, once made, shall not be revoked.

Designated as financial liabilities measured at fair value and changes included in the current profit and loss, the amount of changes in fair value caused by the Company's own credit risk shall be included in other comprehensive income; other changes in fair value shall be included in the current profit and loss. When the financial liability is not confirmed, the accumulated gains or losses previously included in the other comprehensive income shall be transferred out from the other comprehensive income and included in the retained earnings.

Other financial liabilities of the Company mainly include short-term borrowings. For such financial liabilities, the real interest rate method is adopted according to the amortized cost.

(4) Termination and recognition of financial assets and financial liabilities

If the financial assets meet one of the following conditions, they shall be terminated:

① Termination of the contractual right to collect the cash flow of the financial assets;

② The financial assets have been transferred, and the Company has transferred almost all the risks and remuneration in the ownership of the financial assets to the transferred party;

③ The financial asset has been transferred. Although the Company has neither transferred nor retained almost all the risks and rewards in the ownership of the financial asset, it has abandoned the control of the financial asset.

If the current obligation of the financial liability (or part thereof) has been discharged, the Company shall terminate the recognition of the financial liability (or part of the financial liability).

(5) Impairment of financial instruments

The Company conducts accounting treatment for impairment of financial instruments and confirms the loss provision. Expected credit loss refers to the weighted average of the credit loss of a financial instrument weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows, discounted at the

original real interest rate, i. e., the present value of the total cash shortage.

The Company's method of measuring expected credit losses in financial instruments reflects the unbiased probability weighted average amount determined by evaluating a range of possible outcomes; the time value of money, and reasonable and informed information on past events, current conditions, and future economic forecasts available without unnecessary additional cost or effort on the balance sheet date. The Company determines the expected credit losses of the relevant financial instruments in the following manner:

- ① For financial assets, the credit loss is the present value of the difference between the contract cash flow of the Company and the expected cash flow to collect;
- ② For the lease receivables, the credit loss shall be the present value of the difference between the contract cash flow to be collected by the Company and the cash flow expected to be collected;
- ③ For the unutilized loan commitment, the credit loss is the present value of the difference between the contract cash flow collected by the Company and the expected cash flow collected by the Company when the holder of the loan commitment draws the corresponding loan. The Company's estimate of the expected credit loss of the loan commitment is consistent with its expectation of the use of the loan commitment;
- ④ For the financial security contract, the credit loss shall be the estimated amount of the difference between the Company and the amount of the amount that the Company expects to receive from the Contract Holder, the debtor or any other party;
- ⑤ For the financial assets whose credit impairment has occurred on the balance sheet date but is not purchased or derived, the credit loss is the difference between the book balance of the financial assets and the present value of the estimated future cash flow discounted at the original real interest rate.

For financial instruments purchased or derived without credit impairment, each balance sheet date shall consider reasonable and grounded information (including forward-looking information), evaluate whether the credit risk has been significantly increased after the initial recognition, and recognize the expected credit loss in accordance with the three stages respectively. If the credit risk does not significantly increase after the initial recognition, it is in the first stage and measured the loss preparation according to the expected credit loss of the

financial instrument in the next 12 months; if the credit risk has significantly increased since the initial recognition, the measured loss preparation according to the expected credit loss of the entire duration of the financial instrument is in the second stage; since the initial confirmation, the measured loss preparation is based on the expected credit loss of the entire duration of the financial instrument. For financial instruments in the first and second stages, interest income is calculated according to their book balance and real interest rate; for financial instruments in the third stage, interest income is calculated according to their amortized cost and real interest rate.

For the financial assets purchased or generated that have experienced credit impairment, only the cumulative change of the expected credit loss during the entire duration after the initial confirmation is recognized as loss preparation on the balance sheet date, and the interest income is calculated and determined in accordance with the amortized cost of the financial assets and the actual interest rate adjusted by credit.

The increase or reversal of loss provision is recorded as impairment loss or gain. For debt instruments held at fair value and whose changes are included in other comprehensive income, impairment losses or gains are included in the current profit and loss while adjusting other comprehensive income.

(6) Derivatives and embedded derivative tools

The company's derivatives mainly include HNA trust products. Derivatives are initially measured at the fair value on the date of signing the derivative contract and subsequently measured at their fair value. Gains or losses arising from changes in the fair value of the Company's derivatives shall be directly included in the current profits and losses.

Embedded derivatives refer to the derivatives embedded in the non-derivative tools (i. e., the master contract), and constitute a mixed contract with the master contract. If the master contract contained in the hybrid contract belongs to the assets regulated by the financial instrument criteria, the Company does not split and embed derivatives in the hybrid contract from the hybrid contract, but applies the relevant provisions of the financial instrument criteria on the classification of financial assets to the hybrid contract as a whole.

If the principal contract contained in the hybrid contract does not belong to the assets regulated by the financial instrument standards and meets the following conditions, the Company shall split into the principal contract and embed the derivative instruments and treat them as separate derivatives:

- ① The economic characteristics and risks of embedded derivatives are not closely related to the economic characteristics and risks of the main contract;
- ② A separate tool with relevant terms to the embedded derivative meets the definition of a derivative;
- ③ The mixed contract is not measured at fair value and its changes are included in the current profit and loss for accounting treatment.

(7) The offset of financial assets and financial liabilities

When the Company has the legal right to offset the recognized financial assets and financial liabilities, and can currently enforce the legal rights, and the Company plans to net settle or simultaneously settle the financial assets and repay the financial liabilities, the financial assets and financial liabilities are shown in the balance sheet. In addition, financial assets and financial liabilities are listed separately in the balance sheet and are not offset.

(8) termination of the fair value of financial instruments

For financial instruments with an active market, their fair value is determined by the price at which an asset can receive or transfer an asset in an orderly transaction on the measurement date. Financial instruments with no active market, using valuation technology to determine their fair value. In valuation, the Company uses valuation technologies applicable in the current situation and supported by sufficient available data and other information, selects input values consistent with the asset or liability characteristics considered by market participants in the transaction of related assets or liabilities, and gives priority to the relevant observable input values whenever possible. Use unobservable input values where the relevant observable input values cannot be obtained or are impractical.

## 12. Confirmation standard and withdrawal method of bad debt provision for receivables

For Notes receivable, accounts receivable and other receivables, etc., regardless of whether there are significant financing components, the Company measures the loss preparation according to the expected credit loss of the entire duration. The criteria for the provision for Notes receivable of the other party, such as the money receivable from related parties; the receivables in dispute with the other party or involved in litigation or arbitration; and the receivables that the debtor may be unable to fulfill the repayment obligations.

When a single Note receivable and accounts receivable cannot obtain the information to evaluate the expected credit loss at a reasonable cost, the Company divides the Notes receivable, accounts receivable and other receivables into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combination.

For the Notes receivable divided into combinations, the Company calculates the expected credit loss based on the current situation and the forecast of the future economic situation of the Company through the default risk exposure and the expected credit loss rate of the entire duration. The basis for determining the combination is as follows:

Bill receivable portfolio 1 trade acceptance draft

Bill receivable portfolio 2 bank acceptance

For the receivables divided into combinations, the Company refers to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, prepares the comparison table of the receivables age and the expected credit loss rate of the whole duration and calculates the expected credit loss.

The basis for determining the combination is as follows:

Receivables portfolio 1 This portfolio takes the age of receivables as the credit risk characteristic.

Receivables portfolio 2 At the parent Company level, the holding subsidiaries and other transactions are confirmed as risk-free, and bad debts are not withdrawn.

Other receivables portfolio 1 This portfolio takes the age of receivables as the credit risk feature.

Other receivables portfolio 2 At the parent Company, the holding subsidiaries and other transactions are confirmed as risk-free, and no bad debts.

### **13. Inventories**

(1) Classifications of inventories

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

(2) Costing of inventories

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

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

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

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

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

(4) The Group adopts the perpetual inventory system.

### **14. Contract assets and contract liabilities**

Our Company presents contract assets or contract liabilities on the balance sheet based on the relationship between the fulfillment of performance obligations and customer payments. Contract assets represent our right to consideration for goods transferred to the customer, a right that is conditional on factors other than the passage of time. Contract liabilities are obligations to transfer goods to the customer for which we have received or are entitled to receive consideration from the customer.

On the balance sheet date, contract assets and contract liabilities under different contracts should be presented separately. For contract assets and contract liabilities under the same contract, the net amount should be presented. If the net amount is a debit balance, it should be presented as contract assets or other non-current assets based on its liquidity, and after deducting the closing balance of the contract asset impairment provision if any; if the net amount is a credit balance, it should be presented as contract liabilities or other non-current liabilities based on its liquidity.

#### **15. Non-current assets or disposal groups held for sale**

The Company will recover its book value by sale (including the exchange of non-monetary assets with commercial substance, the same below) rather than continuous use of a non-current asset or disposal group, and meet the following two conditions: (1) a non-current asset or disposal group can be sold immediately under the practice of selling such assets or disposal group in similar transactions; and (2) the Company has decided on the sale plan and obtained a definite purchase commitment, and the sale is expected to be completed within one year. (If the relevant regulations require the approval of the relevant authorities or regulatory authorities, the approval has been obtained.)

Termination of operations means the component of the Company meeting one of the following conditions that has been disposed of or classified into the category of holding for sale: ① This component represents a separate major business or a separate major area of operation; ② this component is part of a related plan for the disposal of a separate major business or a separate major operating area; ③ the component is a subsidiary for resale.

The Company obtains non-current assets or disposition groups for resale that meet the specified conditions that the sale is expected to be completed within one year and in the short term (usually 3 months) is likely to meet the held for sale category on the acquisition date.

In the initial measurement or re-measurement on the balance sheet date, the book value is higher than the net after the fair value minus the sale expense, and the book value is written down to the fair value, the amount is recognized as asset impairment loss and included in the current profit and loss, and make provision for impairment of the assets held for sale. For holding for sale disposal group confirmed the asset impairment loss



amount, first offset the book value of goodwill in the disposal group, then according to the disposal of the accounting standards for enterprises no. 42-hold for non-current assets, disposal group and terminate the measurement of the book value of current assets, according to the proportion of the book value.

If the net value of the non-current assets held for sale on the subsequent balance sheet date increases minus the sale expense, the amount of the previous written down shall be restored and the amount of the impairment loss recognized after the category of held for sale, and the reversed amount shall be recorded into the current profit and loss. The impairment loss of assets recognized before the held for sale category will not be reversed.

If the fair value of the disposal group held for sale on the balance sheet date increases, the amount shall be restored before, and apply to the accounting Standards for Business Enterprises for Sale-non-current assets, disposal group and termination of operation within the amount of impairment loss recognized by the non-current assets, and the reversed amount into the current profit and loss. The deducted book value of the goodwill and the impairment loss of the non-current assets recognized by the-Unheld for Sale, Disposal Group and Terminated Operation shall not be reversed.

There is no depreciation or amortization of the non-current assets held for sale or the non-current assets in the disposal group, and the interest and other expenses of the liabilities in the disposal group held for sale continue to be recognized.

If the non-current assets or disposal group no longer meets the held-for-sale category, the Company measures (1) the carrying value before the held-for-sale category and the adjusted amount recognized for depreciation, amortization or impairment, which is assumed not to be held-for-sale category; (2) the recoverable amount.

When terminating the recognition of non-current assets or disposal group, the Company includes unrecognized gains or losses into the current profit or loss.

## 16. 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 3.11 "Financial instruments".

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

### (1) Recognition of cost of investment

For long-term equity investment resulting from business combination under common control, the Group regards the share of the book value of owner's equity of the merged enterprise in the ultimate controlling party's consolidated financial statements as the initial cost of such investment on the date of combination. The difference between the initial cost of the long-term equity investment, cash paid, non-cash assets transferred and the book value of debts assumed shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is by issuing equity securities, on the date of merger, the Group regards the share of the book value of owner's equity of the merged enterprise in the ultimate controlling party's consolidated financial statements as the initial cost of the long-term equity investment. Total face value of the stocks issued is regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. For a business combination realised by more transactions of exchange and ultimately under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a

bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If not, the Group regards the share of the book value of owner's equity of the merged enterprise in the ultimate controlling party's consolidated financial statements as the initial cost of the long-term equity investment on the date of combination. Difference between the initial cost of the long-term equity investment and the sum of book value of the long-term equity investment before combination and the book value of new consideration paid for the share in the invested entity on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted. Equity investments acquired before the date of combination are not accounted for the period due to the fact that they are accounted by method of equity or are classified as financial assets at fair value through other comprehensive income.

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

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

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

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

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

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.

## 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 other comprehensive income, with the book value adjusted for the long-term equity investment by the Group. Book value of the long-term equity investment will be deducted according to the announced profit to be distributed by the invested entity or the share of cash dividend. Changes to shareholders' equity other than net profit or loss, other comprehensive income and profit distribution of the invested entity cause book value of long-term equity investment to be adjusted, and taken into capital reserve. The share of net profit or loss of the invested entity is recognised after adjustment of its net profit on the basis of fair value of all recognisable assets of the invested entity on acquisition. If the accounting policies and accounting periods of the invested entity are different from that of the Group, the invested entity's financial statements shall be adjusted according to the Group's accounting policies and accounting periods. Meanwhile return on investment and other comprehensive income are recognised accordingly. For transactions between the Group and its associates and joint ventures not constituting business transactions by transferring or selling assets, relative unrealised profit or loss on internal transactions attributable to the Group pro rata will be offset, and investment profit and loss will be recognised on such basis. However, if such unrealised loss on internal transactions is classified as loss on decline in value of the asset transferred, then the relative loss is not to be offset. Furthermore, if such assets transfer are classified as business transactions, fair value of the asset transferred is recognised as initial cost of investment of the newly added long-term equity investment, and the difference between initial cost of investment and book value

of the asset transferred is taken in full amount into current profit or loss, if the investing party obtains long-term equity investment but not control over the invested entity. The difference between consideration of assets sold to associate or joint venture and book value of the transaction is taken in full amount into current profit or loss, if the transaction is classified as a business transaction. If the assets purchased from associate and joint venture are classified as business transactions, then full amount of current profit or loss relating to the transaction is recognised, according to the regulations in "Accounting Standards for Business Enterprise No.20—Business Combination".

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

### 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.

### 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 IV.5(2) "Preparation method of consolidated financial statements".

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

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

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

For the remaining share equity after partial disposal which cause the Group to lose control over the invested entity, at the time of preparing individual financial statements, equity method will be used to account and adjust for the remaining share equity as if it were accounted by the same method upon acquisition, if such equity enables the Group to exercise joint control or significant influences over the invested entity. If not, the difference between fair value on the date of losing control and book value will be taken into current profit or loss, according to the regulations of financial instrument recognition and measurement.

For the other comprehensive income recognised by equity method or by financial

instruments recognition and measurement before the Group took control of the invested entity, the same basis as the invested entity while disposing relative asset or liability will be adopted for accounting when the Group lost control over the investee, and changes to shareholders' equity in the net asset of invested entity recognised by equity method, other than net profit or loss, other comprehensive income and profit distribution will be carried forward to current profit or loss when the Group lost control over the investee. Meanwhile, other comprehensive income and other shareholders' equity will be carried proportionately if the remaining share equity is accounted by equity method; and will be carried in full amount if the remaining share equity is accounted by financial instrument recognition and measurement.

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

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

## **17. Investment property**

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. The Company's investment properties include leased land use rights, land use



rights held and prepared for transfer after appreciation, and leased buildings.

The Company's investment properties are initially measured at cost at the time of acquisition. Subsequent expenditures related to investment properties are capitalized as part of the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Company and the cost can be reliably measured. Other subsequent expenditures are recognized in profit or loss as they occur. The Company's investment properties are measured subsequently using the cost model and are depreciated or amortized in accordance with the relevant provisions for fixed assets or intangible assets.

## 18. Fixed assets

### (1) Recognition criteria for fixed assets

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

### (2) Depreciation for different categories of fixed assets

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

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

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

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

The impairment test and provision for impairment of fixed asset are detailed in Note IV.21 "Impairment of longterm assets".

(4) Other explanations

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

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

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

## **19. Construction in progress**

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

## **20. Borrowing costs**

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

intended use or at a state that is saleable. Other borrowing costs are recognized as expenses when incurred.

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

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

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

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

## **21. Lease**

Lease is a contract in which the lessor assigns the use of the assets to the lessee for a certain period to obtain consideration. On the commencement date of the contract, the Company evaluates whether the contract is a lease or contains a lease. If the other party transfers the right to control one or more of the identified assets for a certain period in exchange for consideration, the contract is a lease or contains a lease. The Company does not reassess whether the contract is a lease or includes a lease unless the terms and conditions of the contract change.

(1) The Company is the lessee

If the contract also contains multiple separate leases, the contract shall be split off and accounted for separately. If the contract contains both leased and non-leased parts, the leased and non-leased parts shall be split and the contract consideration shall be apportioned in the relative proportion of the separate prices of each leased part and the separate prices of the non-leased part. The lease term is an irrevocable period during which the Company has the right to use the leased assets.

① right to use assets

The right to use the assets refers to the Company's right to use the leased assets during the lease term. The leased assets of the Company mainly include hotel facilities and office space.

At the beginning date of the lease term, the Company makes the initial measurement of the use right assets according to the cost, including: A. Initial measurement amount of the lease liabilities; B. If the lease payment paid on or before the beginning date of the lease term exists, with the lease incentive, the amount related to the lease incentive shall be deducted; C. Initial direct expenses incurred; D. For the cost expected to remove and remove the leased assets, restore the leased assets to the site of the leased assets, or restore the leased assets to the state agreed in the lease terms, but occurring for the production inventory, the Accounting Standards for Business Enterprises No.1 — Inventory shall apply.

After the beginning of the lease term, the Company adopts the cost mode to measure the use right assets, make a decision according to the expected realization of the economic benefits related to the use right assets, make depreciation of the use right assets by the straight line method, and make accounting treatment for the identified impairment losses. If the Company re-measures the lease liabilities in accordance with the relevant provisions of the lease standards, the book value of the assets with the right to use shall be adjusted accordingly.

② lease obligation

The lease liabilities reflect the present value of the lease payments not yet paid by

the Company. The Company makes an initial measurement of the lease liabilities at the present value of the outstanding lease payments on the beginning date of the lease term.

Lease payment refers to the amount paid by the Company to the lessor in relation to the right to use the leased assets during the lease term, including: A. Fixed payment amount and substantial fixed payment amount, if there is a lease incentive, the relevant amount of the lease incentive shall be deducted; B. Variable lease payments depending on the index or ratio, which are initially measured based on the index or ratio of the start date of the lease term; C. The Company reasonably determines that the exercise price of the purchase option will be exercised; D. The lease term reflects the amount required to exercise the termination option; E. Amount expected to be paid from the balance of the security provided by the Company.

When calculating the present value of the lease payment, the Company uses the lease interest rate as the discount rate; if the lease interest rate cannot be determined, the incremental borrowing rate as the discount rate considering the relevant factors.

The Company shall calculate the interest expense of the lease liabilities during each period of the lease term at a fixed periodic interest rate and include them in the current profit and loss, but shall be capitalized and included in the relevant asset costs.

When the purchase option, renew lease option, terminate the evaluation results of the lease option change, renew lease option, terminate the lease option actual exercise inconsistent with the original assessment results, according to the guarantee value expected payable amount changes, used to determine the lease payment index or ratio changes, or substantial fixed payment changes, to measure lease liabilities.

### ③ Changes to leases

When the lease change expands the scope of the lease by adding the right to use one or more of the leased assets, and the increased consideration is equivalent to the separate price of the extended part of the lease scope according to the contract situation, the lease change shall be treated as a separate lease. If it is not treated as a separate lease, the consideration of the modified contract shall be apportioned, the lease term shall be redetermined and the lease liabilities shall be remeasured.

④ Short-term leasing and low-value asset leasing

The Company will recognize the lease within 12 months at the beginning of the lease term; the lease with a value of RMB 40,000 shall be recognized as a low-value asset lease. If the Company sublet or expects to sublet the leased assets, the original lease shall not be recognized as a low-value asset lease. The Company does not recognize the short-term lease and low-value asset lease assets and lease liabilities, and includes the amount of the lease payment into the relevant asset cost or current profit and loss according to the straight line method or other systematic reasonable methods during the lease period.

⑤ After-sale and leaseback transaction

For the after-sale and leaseback transaction, the Company shall, in accordance with the provisions of the Accounting Standards for Business Enterprises No.14 — Income, evaluate and determine whether the assets transferred in the after-sale and leaseback transaction belong to the sale and confirm the profits and losses; the relevant gains or losses shall be confirmed, and a financial liability of equivalent to the transfer income.

(2) The Company shall be the lessor

On the commencement date of the lease, the Company divides the lease into financial lease and operating lease, which essentially transfers almost all the risks and rewards related to the ownership of the leased assets to the lease into financial lease, in addition to the operating lease. When the Company is the sublease lessor, the transfer lease is classified based on the use right assets generated by the original lease.

① finance lease

On the beginning date of the lease term, the Company confirms the finance lease payment receivable for the finance lease and terminates the recognition of the finance lease assets. In the initial measurement of the finance lease receivable, the net lease investment shall be taken as the entry value of the finance lease receivable. The net lease investment shall be the sum of the present value of the unsecured surplus and the lease receipts discounted at the included interest rate of the lease term.

The amount of lease collection means the amount collected by the Company from the lessee for the transfer of the right to use the leased assets during the lease term, including: A. For the fixed payment amount, the relevant amount of the lease incentive shall be deducted; B. Variable lease payments depending on the index or ratio; C. The exercise price of the purchase option, provided that it is reasonably determined that the lessee will exercise the option; D. Payment by the lessee to exercise the termination option, provided the lease term reflects that the lessee will exercise the termination option; E. The residual value of the guarantee provided to the Company by the lessee, the party related with the lessee and an independent third party with the economic ability to perform the security obligations.

The Company calculates and recognizes interest income for each period of the lease term at fixed periodic interest rates. Variable lease payments obtained by the Company and not included in the net lease investment measurement shall be recorded in the current profit and loss upon actual occurrence.

#### ② operation lease

During each period of the lease term, the Company adopts the straight line method to recognize the lease collection amount of the operating lease as rental income. Variable lease payments not included in the lease receipts shall be recorded in the current profit and loss upon actual occurrence.

In case of any change in the operating lease, the Company shall treat it as a new lease from the effective date of the change, and the amount received in advance or receivable related to the lease before the change shall be regarded as the amount received by the new lease.

#### (3) After-sale and leaseback transaction

For the sale and leaseback transaction, the Company evaluates in accordance with Accounting Standards for Enterprises No.14—Income, the asset purchase and disposal according to the applicable accounting standards; not for sale, the transferred asset is not confirmed, but a financial asset equal to the transfer income.

## 22. Intangible assets

### (1) Intangible assets

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

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

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

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

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



(2) Expenditures on research and development

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

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

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

① It is technically feasible to complete the intangible asset so that it will be available for use or sale;

② The management intends to complete the intangible asset, and to use or sell it;

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;

④ There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets; and

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.

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

The impairment test and provision for impairment of intangible asset is detailed in Note III. 24 "Impairment of long-term assets".

### **23. Long-term deferred expenses**

The long-term deferred expenses incurred by our Company are valued at actual cost and are amortized evenly over the estimated period of benefit. For long-term deferred expense items that cannot benefit subsequent accounting periods, their remaining book value is fully recognized in the current period's profit and loss.

### **24. Impairment of long-term assets**

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

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

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

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

## **25. Employee compensation**

The Company's employee compensation mainly includes short-term employee compensation, post-resignation benefits, dismissal benefits and other long-term employee benefits.among:

Short-term salary mainly includes salary, bonus, allowance and subsidy, employee welfare, medical insurance, maternity insurance, industrial injury insurance, housing accumulation fund, trade union funds and employee education funds, non-monetary welfare, etc. During the accounting period, the actual short-term employee compensation is recognized by the Company as liabilities and included in the current profit and loss or related asset costs. Non-monetary benefits are measured at fair value.

Post-resignation benefits mainly include basic endowment insurance, unemployment insurance and annuity. The post-resignation benefit plan includes setting up an escrow plan. If the set escrow plan is adopted, the corresponding payable amount shall be recorded into the relevant asset cost or current profit or loss at the time of occurrence.

Before the worker labor contract expires with the worker, or to encourage employees to voluntarily accept the compensation, when the Company cannot unilaterally withdraw the dismissal benefits provided by the labor relationship plan or reduction proposal, and the Company confirmed and involves pay dismiss welfare restructuring cost of both, confirm dismissal benefits of employee compensation liabilities, and included in the current profit and loss. However, if the dismissal benefits are not expected to be fully paid within 12 months after the end of the annual reporting period, they shall be treated as other long-term employees.

The employee internal retirement plan adopts the same principle as the above dismissal benefits. The Company will pay the salary of the returned personnel and the social insurance premiums paid from the period of the normal retirement date into the current profit and loss (dismissal welfare) when the expected liability recognition conditions are met.

If other long-term employee benefits provided by the Company to employees conform to the deposit plan, accounting treatment shall be conducted according to the deposit plan, and accounting treatment shall be conducted according to the benefit plan.

## **26. Anticipation liabilities**

If an obligation related to the contingency is met when: (1) the obligation is a current obligation of the Company; (2) the performance of the obligation is likely to cause an outflow of economic benefits; and (3) the amount of the obligation can be reliably measured.

The projected liabilities are initially measured at the best estimate of the expenditures required to meet the relevant current obligations, taking into account the risks, uncertainties and monetary time value of the contingent matters. Where the time value of the currency is significant, the best estimate shall be determined by discounted the relevant future cash outflow.

If all or part of the expenditure is expected to be compensated by a third party or any other party, the amount of compensation can only be recognized separately as an asset when it is basically confirmed. The recognized compensation amount shall not exceed the carrying value of the recognized liability.

## 27. Revenue recognition

Income is the total inflow of economic benefits formed in the daily activities of the Company that will lead to the increase of shareholders' equity and is unrelated to the capital invested by shareholders. The contract between the Company and the Customer recognizes the income when the Customer obtains the control of the relevant commodities (including services, the same below): The parties have approved the contract and undertake to perform the respective obligations; the contract specifies the rights and obligations of the same parties; the contract has clear payment terms related to the transferred commodities; the contract will change the risk, time distribution or amount of the Company for the transfer of the commodities to the Customer. Among them, obtaining the control of the relevant commodity refers to the ability to dominate the use of the commodity and obtain almost all the economic benefits from it.

On the commencement date of the Contract, the Company identifies the individual performance obligations existing in the Contract and allocates the transaction price to each individual performance obligation in relative proportion to the separate selling price of the goods promised under each individual performance obligation. The influence of variable consideration, significant financing components existing in the contract, non-cash consideration, payable customer consideration and other factors are considered in determining the transaction price.

For each individual performance obligation in the Contract, if one of the following conditions is met, the Company will share to the transaction price according to the performance schedule as the income during the performance of the Company; the Customer can control the commodities under construction during the performance of the Company; the commodities produced during the performance of the Company have irreplaceable use, and the Company has the right to collect payment for the completed performance during the whole contract period.

The performance progress shall be determined by the input method or the output method according to the nature of the transferred commodities. When the performance progress cannot be reasonably determined, if the cost incurred by the Company is expected to be compensated, the revenue shall be recognized according to the amount of the cost incurred until the performance progress can be reasonably determined.

If one of the above conditions is not met, the Company shall recognize the revenue at the transaction price apportioned to the individual performance obligation at the point when the customer obtains control of the relevant commodity obligation. The Company considers the following indications that the customer has the control of the commodity.

If the Company can control the commodity before transferring the customer, the income shall be recognized on the total consideration received or receivable; otherwise, the agent for the amount of commission or commission which it is entitled to collect.

Specific revenue recognition principle: ① Closed bus product sales: closed bus product sales in the delivery and completion of acceptance revenue recognition. ② Hotel catering and accommodation industry income: providing accommodation and catering business revenue shall be confirmed on the day after the completion of catering services.

If the Company is expected to recover the incremental cost incurred by acquiring the contract, it shall be recognized as an asset as the contract acquisition cost.

If costs incurred for the performance of the contract are not within the scope of BIS other than thus No.14 — Revenue (2017 Revision) and meet the following conditions, the contract performance cost is recognized as an asset: ① the cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar expenses), explicit costs borne by the Customer and other costs incurred solely by the contract; ② the cost increases the Company's future resources for performance obligations; ③ the cost is expected to be recovered.

The assets related to the contract cost are amortized on the same basis as the recognition of the assets and recorded into the current profit and loss.

If the book value of the asset is higher than the difference of the following two items, the excess provision for impairment is made and recognized as the asset impairment loss: ① the remaining consideration expected to be obtained from the transfer of the goods related to the asset; ② is the estimated cost to be incurred in the transfer of the related

goods. If the impairment factors in the previous period change later and the difference between ① and ② in the preceding paragraph is higher than the book value of the asset, the original asset impairment provision is reversed and included into the current profit and loss, but the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that the impairment provision is made.

## **28. Government grants**

Government subsidy refers to the Company obtaining monetary assets or non-monetary assets from the government, excluding the capital invested by the government as an investor and enjoying the corresponding owner's equity. If the government subsidies are monetary assets, they shall be measured according to the amount received or receivable. Where government subsidies are non-monetary assets, they shall be measured at the fair value; if the fair value cannot be obtained reliably, they shall be measured at the nominal amount. The government subsidies measured in accordance with the nominal amount shall be directly recorded into the current profit and loss.

Government subsidies can only be confirmed when the Company can meet the conditions of government subsidies and receive government subsidies.

Government subsidies are divided into asset-related government subsidies and income-related government subsidies. The government subsidy related to assets refers to the government subsidy obtained by the Company for purchase and construction or otherwise forming long-term assets. Government subsidies related to income refer to government subsidies in addition to government subsidies related to assets.

Government subsidies related to assets shall adopt the total amount method to confirm them as deferred income, and the relevant assets in the relevant assets are sold, transferred, scrapped or damaged before the end of the service life shall be transferred into the current balance, the book balance of the deferred benefits shall be reduced, and the excess part shall be recorded into the current profit and loss.

For the government subsidies including both asset-related parts and income-related parts, different parts are differentiated for accounting treatment; difficult to distinguish, the whole is classified as government subsidies related to income.

The government subsidies related to the daily activities of the Company shall be included in other benefits or offset related costs according to the essence of the economic business. Government subsidies unrelated to the Company's daily activities shall be included in the non-operating income and expenditure.

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

### **(1) Current income tax**

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

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

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

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



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

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

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

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

(3) Income tax expense

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

Apart from current income tax and deferred income tax related to transactions and events that are directly recognized in other comprehensive income or shareholders' equity, which are recognized in other comprehensive income or shareholders' equity, and deferred income tax arising from a business

combination which adjusts the carrying amount of goodwill, all other current income tax and deferred income tax expense or income are recognized in profit or loss for the period.

(4) Offset of income tax

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

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

**30. Changes in significant accounting policies and accounting estimates**

(1) Changes in accounting policies

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

(2) Changes in accounting estimates

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

## IV.Tax

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

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

The subsidiary of the company, Fuxin Busbar, was recognized as a high-tech enterprise on September 15, 2020, with a validity period of three years, expiring on September 15, 2023; On November 29, 2023, the enterprise was re recognized as a national high-tech enterprise, valid until November 29, 2026. The income tax rate for this year is 15%.

### 2. Other instructions

- (1) The subsidiary of the company, Northeast Electric Development (Hong Kong) Co., Ltd., is a wholly-owned subsidiary registered and established in the Hong Kong Special Administrative Region of China. The profit tax rate is 8.25% for profits not exceeding RMB2 million, and profits exceeding it will continue to be taxed at 16.5%.
- (2) Gaocai Technology Co., Ltd. is a wholly-owned subsidiary registered in BVI and no enterprise income tax is imposed on it.

## V. Notes to Items in Consolidated Financial Statements

Unless otherwise specified, "beginning of year" refers to 31 December 2023, "end of year" refers to 30 June 2024, "this year" refers to January 1, 2024 to June 30, 2024, "last year" refers to January 1, 2023 to December 31, 2023 in the following Notes (including Notes to Major Items in the Financial Statements of the Company).

### 1. Cash and equivalents

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Cash on hand	92,325.39	90,300.39
Bank deposits	10,029,484.05	6,353,171.44
Other cash and equivalents	3,996,226.83	5,715,219.02
<b>Total</b>	<b>14,118,036.27</b>	<b>12,158,690.85</b>
Including: Total overseas deposits	442,548.13	432,923.05
Store funds for the financial Company		

Notes: As of June 30 2024, the total restricted funds of our Company amount to RMB3,996,226.83, including a performance bond guarantee deposit of RMB3,996,027.22. The restricted balance of RMB199.61 in the \*\*0138 account of Garden Lane Hotel Management Co., Ltd. at Bohai Bank has led to the suspension of non-counter services.

### 2. Bill receivable

#### (1) Disclosure by aging

Unit: RMB

Item	Balance at end of year		Book value
	Carrying amount	Provision for bad deb	
Bank acceptance bill	2,640,000.00		2,640,000.00
Commercial Acceptance Notes			
<b>Total</b>	<b>2,640,000.00</b>		<b>2,640,000.00</b>

Item	Balance at beginning of year		
	Carrying amount	Provision for bad deb	Book value
Bank acceptance bill	1,000,000.00		1,000,000.00
Commercial Acceptance Notes	1,190,953.98		1,190,953.98
<b>Total</b>	<b>2,190,953.98</b>		<b>2,190,953.98</b>

**(2) Accounts receivable that have been endorsed or discounted by the Company at the end of the period and have not yet matured on the balance sheet date:**

Unit: RMB

Item	End of term termination amount	End of term non terminated amount
Bank acceptance bill	20,724,150.00	2,640,000.00
Commercial Acceptance Notes		
<b>Total</b>	<b>20,724,150.00</b>	<b>2,640,000.00</b>

### **(1) Accounts Receivable Classification Disclosure**

Unit: RMB

Item	Balance at end of year			Balance at beginning of year		
	Carrying amount	Provision for bad	Book value	Carrying amount	Provision for bad	Book value
Accounts receivable	43,328,470.76	5,730,560.93	37,597,909.83	44,060,990.48	5,730,560.93	38,330,429.55
<b>Total</b>	<b>43,328,470.76</b>	<b>5,730,560.93</b>	<b>37,597,909.83</b>	<b>44,060,990.48</b>	<b>5,730,560.93</b>	<b>38,330,429.55</b>

## **3. Accounts receivable**

### **(2) Provisions for bad debts**

Our Company measures the loss allowance for accounts receivable, whether or not there is a significant financing component, at the expected credit loss over the entire duration.

① On June 30, 2024, combination 1 accrues for bad debt provision:

Unit: RMB

Item	Carrying amount	Percentage of provision %	Provision for bad debt
Within 1 year (inclusive)	24,863,243.18	0.96	237,467.25
1 – 2 years (inclusive)	10,531,572.60	11.49	1,210,299.43
2 – 3 years (inclusive)	5,120,431.34	27.28	1,396,821.65
3 – 4 years (inclusive)	472,348.51	139.86	660,633.11
Over 4 years	2,340,875.13	95.06	2,225,339.49
<b>Total</b>	<b>43,328,470.76</b>		<b>5,730,560.93</b>

② Provision for bad debts in the current period:

Unit: RMB

Item	Balance at beginning of year	Provision	Reduce reasons			Balance at end of year
			Retrieval or reversal	Write-off	Other changes	
Provision for bad debts	5,730,560.93					5,730,560.93

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

Unit: RMB

Item	Balance at beginning of year	Contract assets	Total	Accounting duration	Percentage of provision (%)	Provision for bad debt
Wuhan City Evironment Protection ENGINEERING Limited Company	13,189,100.00	283,545.40	13,472,645.40	Within 1 year	28	283,545.40
PuErFeiTe investment Management	3,855,461.00		3,855,461.00	Within 1 year	8	
China Resources Power (Shenyang) Co., Ltd	1,738,000.00		1,738,000.00	1 – 2 years	4	
Xinjiang Bingzhun Xinhong Energy Co., Ltd	1,548,000.00		1,548,000.00	1 – 2 years	3	
Dalian Electric Power Construction Group Co.,Ltd.	1,375,974.90		1,375,974.90	1 – 2 years	3	
<b>Total</b>	<b>21,706,535.90</b>	<b>283,545.40</b>	<b>21,990,081.30</b>			<b>45283,545.40</b>

## 4. Prepayments

### (1) Prepayments by aging

Unit: RMB

Aging	Balance at end of year		Balance at beginning of year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	3,910,380.33	95.74	4,054,378.54	93.75
1-2 years	16,917.52	0.4	113,165.53	2.62
2-3 years	147,674.80	3.62	50,000	1.16
Over 3 years	9,606.00	0.24	107,280.8	2.48
<b>Total</b>	<b>4,084,578.65</b>	<b>100.00</b>	<b>4,324,824.87</b>	<b>100</b>

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

Unit: RMB

Item	Related party situation	Amount	Percentage %	Accounting duration	Reason for non settlement
Zhengjiang Meisheng Bus way limited Company	Non related parties	403,410.00	9	Within 1 year	Not yet due for settlement period
Beijing Guowang Power Technology Co.,Ltd.	Non related parties	273,681.32	7	Within 1 year	Not yet due for settlement period
Langrui Electric Technology Group Co., Ltd.	Non related parties	175,226.00	4	Within 1 year	Not yet due for settlement period
Zhenjiang Yuxin Electric Co., Ltd.	Non related parties	149,890.00	4	Within 1 year	Not yet due for settlement period
Metro AG Commercial Group Co., Ltd. Changchun Kuancheng Shopping Mall	Non related parties	147,674.80	4	Within 1 year	Not yet due for settlement period
<b>Total</b>		<b>1,149,882.12</b>	<b>28</b>		

## 5. Other receivables

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Interest receivable		
Dividends receivable		
Other receivables	11,051,272.67	13,549,959.28
<b>Total</b>	<b>11,051,272.67</b>	<b>13,549,959.28</b>

### (1) Other receivables

Unit: RMB

Item	Balance at end of year			Balance at beginning of year		
	Carrying amount	Provision for bad debt	Book value	Carrying amount	Provision for bad debt	Book value
Other receivables	93,622,490.96	82,571,218.29	11,051,272.67	96,121,177.57	82,571,218.29	13,549,959.28
<b>Total</b>	<b>93,622,490.96</b>	<b>82,571,218.29</b>	<b>11,051,272.67</b>	<b>96,121,177.57</b>	<b>82,571,218.29</b>	<b>13,549,959.28</b>

### ① Provision for bad debt

A. On June 30, 2024, bad debt provisions for other receivables in the first stage

Unit: RMB

Item	Carrying amount	Expected credit loss over the next 12 months	Provisions for bad debt	Reason
Combined accrual				
Combination 1	91,716,751.58	88.21%	80,904,179.91	Recyclability
<b>Total</b>	<b>91,716,751.58</b>	<b>88.21%</b>	<b>80,904,179.91</b>	

B. As of June 30, 2024, the allowance for doubtful accounts for other receivables at the third stage is as follows.

Unit: RMB

Item	Carrying amount	Expected credit loss over the next 12 months	Provisions for bad debt	Reason
Combined accrual				
Combination 1	1,905,739.38	87.47%	1,667,038.38	Recyclability
<b>Total</b>	<b>1,905,739.38</b>	<b>87.47%</b>	<b>1,667,038.38</b>	



## ② Change in allowance for bad debts

Unit: RMB

Provisions for bad debt	Phase I	Phase II	Phase III	Total
	Expected credit loss over the next 12 months	Lifetime expected credit losses (not credit impaired loans)	Lifetime expected credit losses (credit-impaired loans)	
Balance at beginning of year	4,814,179.91		77,757,038.38	82,571,218.29
Balance at beginning of year				
—Transferred to Phase I				
—Transferred to Phase II				
—Transferred to Phase III				
Provision for the year				
Reversal for the year				
Written-off for the year				
Charge off for the year				
Other changes				
<b>Balance at end of year</b>	<b>4,814,179.91</b>		<b>77,757,038.38</b>	<b>82,571,218.29</b>

## ③ Classification by nature of the amount

Unit: RMB

Nature of the amount	Amount at end of year	Amount at beginning of year
Litigation from Benxi Iron & Steel (Group) Co.,	76,090,000.00	76,090,000.00
Deposits and deposits	2,056,302.40	2,056,302.40
Current payments and others	15,476,188.56	17,974,875.17
<b>Total</b>	<b>93,622,490.96</b>	<b>96,121,177.57</b>
Subtract: Provisions for bad debt	82,571,218.29	82,571,218.29
<b>Total</b>	<b>11,051,272.67</b>	<b>13,549,959.28</b>

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

Unit: RMB

Name of Company	Related parties	Nature of accounts	Balance at end of year	Aging	Percentage in total balance of other receivables at end of year (%)	Balance of provisions for bad debt at end of year
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	No	Current payment (with litigation)	76,090,000.00	Over 5 years	81.27	76,090,000.00
Dalian Yangtze River Plaza Co., Ltd. JAL Hotel	Yes	Current payment	4,421,877.65	1 – 2 years	4.72	432,230.18
Changchun Noble Hotel Co., Ltd.	Yes	Current payment	4,080,152.53	1 – 2 years	4.36	278 299.03
New Jinrong credit transfer receivables package	No	Current payment	2,807,140.00	Over 5 years	3	2,807,140.00
Jilin Tourism Group Co., Ltd. Zijinghua Restaurant	Yes	Current payment and deposit	1,117,047.84	3 – 4years	1.19	1,117,047.84
<b>Total</b>			<b>88,515,850.02</b>		<b>92.09</b>	<b>80,724,717.05</b>

Note 1:

The principal owed from Benxi Iron & Steel (Group) Co., Ltd. (hereinafter referred to as "Benxi Steel") of RMB76,090,000 is included in other receivables, which occurred in May and September 2005, by Liaoning Trust & Investment Co., Ltd. (hereinafter referred to as "Liao Trust") repaying principals of RMB74,424,671.45 deposited with them by the Company with their receivables from Benxi Steel of RMB76,090,000 by the approval from related governments in Liaoning Province. The Company has taken receivables from Benxi Steel into other receivables, and surplus to the original deposit has been taken into provision for bad debt. On 16 December 2005, Liaoning High People's Court made final ruling (2005) Liao Min Er Zhong Zi No. 220, that Benxi Steel had owed the Company RMB15,900,000 and related interest. The Company had applied for enforcement. As a result, Shenyang Municipal Intermediate People's Court established the case and delivered Enforcement Notice to Benxi Steel on 10 March 2006. On 30 March 2006, the Shenyang Municipal Intermediate People's Court made first ruling concerning the remaining principals by Rulings (2005) Shen Zhong Min Si He Chu Zi No. 21, 22 and 23, that Benxi Steel should repay the Company principal of RMB60,190,000 and related interest.

On 30 April 2006, Benxi Steel appealed to Liaoning High People's Court. On 14 May 2008, Liaoning High People's Court ordered retry of the case to Shenyang Municipal Intermediate People's Court by Rulings (2006) Liao Min Er Zhong Zi No. 214, 215, 216, repealing Rulings (2005) Shen Zhong Min Si He Chu Zi No. 21, 23, 22 by the latter People's Court. On 9 June 2009, Shenyang Municipal Intermediate People's Court refuted the Company's case by rulings (2008) Shen Zhong Min Si Chu Zi No. 143, 144 and 145, and the Company appealed to Liaoning High People's Court. On 26 October and 29 October 2009, the Liaoning

High People's Court made final rulings (2009) Liao Min Er Zhong Zi No. 182, Notes to the financial statements Court made Civil Rulings (2010) Min Shen Zi No. 1144, 1145 and 1146 on 13 December 2010, overruling retrial appeal of the Company. Since other receivables are long outstanding and the chance of recovery is remote, the Company has made a provision for bad debt in full for such other receivables.

## 6. Inventories

### (1) Classification of inventories

Unit: RMB

Item	Balance at end of year		
	Carrying amount	Allowance for impairment of	Book value
Raw material	17,619,446.53		17,619,446.53
Work in progress	10,955,831.28		10,955,831.28
Finished goods	3,395,162.09		3,395,162.09
Release products			0.00
<b>Total</b>	<b>31,970,439.90</b>		<b>31,970,439.90</b>

Unit: RMB

Item	Balance at beginning of year		
	Carrying amount	Allowance for impairment of	Book value
Raw material	9,824,232.99		9,824,232.99
Work in progress	6,450,495.18		6,450,495.18
Finished goods	1,246,877.52		1,246,877.52
Release products	3,664,027.31		3,664,027.31
<b>Total</b>	<b>21,185,633.00</b>		<b>21,185,633.00</b>

### (2) Allowance for impairment of inventories

Unit: RMB

Item	Balance at beginning of year	Increment		Decrement		Balance at end of year
		Provision	Others	Write-off	Others	
Raw material						
Work in progress						
Finished goods						

<b>Total</b>						
--------------	--	--	--	--	--	--

### (3) Basis for Inventory Depreciation Provision

Unit: RMB

Item	The Basis for Determining Net Realizable Value	Reasons for the reversal of inventory falling price reserves this year	Reasons for this year's inventory depreciation provision
Raw material			
Work in progress			
Finished goods			

## 7. Contract assets

Unit: RMB

	Balance at end of year	Balance at beginning of year
Contract assets	11,020,926.96	4,615,720.95
Subtract: Provision for impairment	98,909.57	98,909.57
<b>Total</b>	<b>10,922,017.39</b>	<b>4,516,811.38</b>
Subtract: Portion of other non-current assets		
— Carrying amount		
— Allowance for impairment of		
<b>Total</b>	<b>10,922,017.39</b>	<b>4,516,811.38</b>

Regardless of whether there is a significant financing component in the contract assets, our Company measures the loss provision based on the expected credit loss throughout the entire existence period. On June 30, 2024, the contract assets with provision for impairment are as follows:

#### ① Contract assets subject to provision for impairment:

Unit: RMB

category	Carrying amount	Lifetime expected credit losses	Provisions for bad debt	Reason
Combined accrual:	11,020,926.96	0.9	98,909.57	Expected credit loss
Combination 1	11,020,926.96	0.9	98,909.57	

## 8. Other current assets

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Prepaid and deductible input VAT	1,399,468.59	1,487,133.24
<b>Total</b>	<b>1,399,468.59</b>	<b>1,487,133.24</b>

## 9. Long-term equity investments

Unit: RMB

Investee	Balance at beginning of year	Increase/decrease during the year				
		Increase in investment	Decrease in investment	Profit or loss for investment under equity method	Adjustment to OCI	Other changes to equity
Joint ventures						
Chongqing HaiHang Restaurant Investment Co., Ltd. (Note 1)	50,993,870.06		50,993,870.06			
Weida High Voltage Electrical Co., Ltd. (Note 2)	56,603,237.37					
<b>Total</b>	<b>107,597,107.43</b>		<b>50,993,870.06</b>			

(Continue)

Unit: RMB

Investee	Increase/decrease during the year			Balance at end of year	Balance of provision for impairment at end of year
	Cash dividend or Profit declared	Provision for impairment	Others		
Joint ventures					
Chongqing HNA Hotel (Note 1)				0.00	0.00
Great Power Technology Limited ("Great Power") (Note 2)				56,603,237.37	56,603,237.37
<b>Total</b>				<b>56,603,237.37</b>	<b>56,603,237.37</b>

(1) Provisions for bad debt

Unit: RMB

Investee	Balance at beginning of year	Increase	Reduce	Balance at end of year
Joint ventures				
Chongqing HNA Hotel (Note 1)	50,993,870.06	50,993,870.06		0.00
Great Power Technology Limited ("Great Power") (Note 2)	56,603,237.37			56,603,237.37
<b>Total</b>	<b>56,603,237.37</b>			<b>56,603,237.37</b>

Note 1: The subsidiary garden Hotel signed a "Share Transfer Agreement" with Taisheng Real Estate (Shanghai) Co., Ltd. on January 13, 2024, transferring its 30% stake in Chongqing HNA Hotel for RMB9.1 million in cash to Taisheng Real Estate (Shanghai) Co., Ltd. The share transfer registration change at the administrative bureau was completed on March 8, 2024.

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

## 10. Other equity instrument investment

### (1) Other equity instrument investment

Unit: RMB

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

### (2) Other instructions

Balance at end of year

Unit: RMB

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

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

Balance at beginning of year

Unit: RMB

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

## 11. Other non-current financial assets

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Financial assets measured at fair value through profit or loss	19,083,585.02	19,083,585.02
Equity: instrument investments	19,083,585.02	19,083,585.02
HNA Group bankruptcy reorganization special service trust	19,083,585.02	19,083,585.02
<b>Total</b>	<b>19,083,585.02</b>	<b>19,083,585.02</b>

Note: During the reporting period, in accordance with the Reorganization Plan for the Substantive Merger and Reorganization Case of 321 Companies including HNA Group Co., LTD. (hereinafter referred to as the "HNA Group Reorganization Plan") approved by the Hainan High Court, HNA Group Bankruptcy and Reorganization Special Service Trust was completed on April 24 2022. The Group regards the trust shares corresponding to the declared and confirmed claims of non-operating fund utilization of RMB 71,404,011.82 and the operating claims of RMB 1,505,045.73 obtained by the Group as other non-current financial assets.



## 12. Fixed assets

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Fixed assets	34,200,613.15	35,678,380.20
Disposal of fixed assets		
<b>Total</b>	<b>34,200,613.15</b>	<b>35,678,380.20</b>

### (1) Fixed assets

#### ① Fixed assets

##### A. Holding fixed assets for personal use

Unit: RMB

Item	Buildings and structures	Machinery & equipment	Motor vehicles & others	Total
<b>I. Carrying amount</b>				
1. Balance at beginning of year	39,539,732.27	13,080,497.84	6,051,503.39	58,671,733.50
2. Increment	0.00	24,424.78	78,510.00	
(1) Purchase		24,424.78	78,510.00	
(2) Transferred from construction in progress				
(3) Business combination increase				
(4) Operating lease converted to own use				
3. Decrement	0.00	0.00	44,612.00	44,612.00
(1) Disposal or write-off			44,612.00	44,612.00
4. Balance at end of year	39,539,732.27	13,104,922.62	6,085,401.39	58,730,056.28
<b>II. Accumulated depreciation</b>				
1. Balance at beginning of year	11,019,327.88	7,798,198.02	3,543,264.99	22,360,790.89
2. Increment	994,892.37	395,233.50	155,964.48	1,546,090.35
(1) Provision	994,892.37	395,233.50	155,964.48	1,546,090.35
3. Decrement	0.00	0.00	0.00	0.00
(1) Disposal or write-off				0.00
(2) Merge range reduction				
(3) Convert to operating lease for own use				
4. Balance at end of year	12,014,220.25	8,193,431.52	3,699,229.47	23,906,881.24

Item	Buildings and structures	Machinery & equipment	Motor vehicles & others	Total
<b>III. Provision for impairment</b>				
1. Balance at beginning of year		413,043.28	219,519.12	632,562.40
2. Increment				
(1) Provision				
(2) Merge range reduction				
(3) Convert to operating lease for own use				
3. Decrement	0	0	10,000.51	10,000.51
(1) Disposal or write-off			10,000.51	
(2) Merge range reduction				
(3) Convert to operating lease for own use				
4. Balance at end of year		413,043.28	209,518.61	622,561.89
<b>IV. Book balance</b>				
1. Book balance at end of year	27,525,512.02	4,498,447.82	2,176,653.31	34,200,613.15
2. Book balance at beginning of year	28,520,404.39	4,869,256.54	2,288,719.27	35,678,380.20

### 13. Right-of-use assets

Unit: RMB

Item	Buildings and structures	Total
<b>I. Carrying amount</b>		
1. Balance at beginning of year	23,546,925.57	23,546,925.57
2. Increment		
3. Decrement		
(1) Early termination of contract		
(2) Contract expiration and modification		
4. Balance at end of year	23,546,925.57	23,546,925.57
<b>II. Accumulated depreciation</b>		
1. Balance at beginning of year	16,637,353.78	16,637,353.78
2. Increment	3,454,785.84	3,454,785.84
(1) Provision	3,454,785.84	3,454,785.84

Item	Buildings and structures	Total
3. Decrement		
(1) Early termination of contract		
4. Balance at end of year	20,092,139.62	20,092,139.62
<b>III. Provision for impairment</b>		
1. Balance at beginning of year		
2. Increment		
(1) Provision		
3. Decrement		
4. Balance at end of year		
<b>IV. Book balance</b>		
1. Book balance at end of year	3,454,785.95	3,454,785.95
2. Book balance at beginning of year	6,909,571.79	6,909,571.79

## 14. Intangible assets

### (1) Status of Intangible Assets

Unit: RMB

Item	Land use rights	Software	Total
<b>I. Carrying amount</b>			
1. Balance at beginning of year	13,200,304.00	207,000.00	13,407,304.00
2. Increment			
(1) Purchase			
(2) Internal R&D			
3. Decrement			
(1) Disposal			
4. Balance at end of year	13,200,304.00	207,000.00	13,407,304.00
<b>II. Accumulated amortization</b>			
1. Balance at beginning of year	1,914,044.37	207,000.00	2,121,044.37
2. Increment	132,003.06		132,003.06
(1) Purchase	132,003.06		132,003.06
3. Decrement			
(1) Disposal			
4. Balance at end of year	2,046,047.43	207,000.00	2,253,047.43

Item	Land use rights	Software	Total
<b>III. Provision for impairment</b>			
1. Balance at beginning of year			
2. Increment			
(1) Provision			
3. Decrement			
(1) Disposal			
4. Balance at end of year			
<b>IV. Book balance</b>			
1. Book balance at end of year	11,154,256.57		11,154,256.57
2. Book balance at beginning of year	11,286,259.63		11,286,259.63

## 15. Goodwill

### (1) Carrying amount of goodwill

Unit: RMB

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

### (2) Goodwill impairment provision

Unit: RMB

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

## 16. Deferred Tax Assets and Deferred Tax Liabilities

### (1) Deferred tax assets not yet offset

Unit: RMB

Item	Balance at end of year		Balance at beginning of year	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Deductible loss	7,079,406.84	1,769,851.71	6,909,571.79	1,727,392.95
<b>Total</b>	<b>7,079,406.84</b>	<b>1,769,851.71</b>	<b>6,909,571.79</b>	<b>1,727,392.95</b>

### (2) Deferred income tax liabilities not yet offset

Unit: RMB

Item	Balance at end of year		Balance at beginning of year	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Right of Use Assets	3,454,785.95	863,696.49	6,909,571.79	1,727,392.95
<b>Total</b>	<b>3,454,785.95</b>	<b>863,696.49</b>	<b>6,909,571.79</b>	<b>1,727,392.95</b>

### (3) Unconfirmed deferred tax assets details

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Deductible temporary difference	470,598,865.20	470,598,865.20
Deductible loss	169,555,641.88	169,555,641.88
<b>Total</b>	<b>640,154,507.08</b>	<b>640,154,507.08</b>

(4) The deductible losses from unrecognized deferred tax assets will expire in the following years.

Unit: RMB

Annual	Balance at end of year	Balance at beginning of year	Notes
2023			
2024	12,706,128.66	12,706,128.66	
2025	12,985,193.71	12,985,193.71	
2026	27,161,027.34	27,161,027.34	
2027	87,175,239.95	87,175,239.95	
2028	15,035,850.8	15,035,850.8	
Indefinite period	14,492,201.42	14,492,201.42	Deductible loss amount for NEE (HK)
<b>Total</b>	<b>169,555,641.88</b>	<b>169,555,641.88</b>	

## 17. Short-term liability

Unit: RMB

Category	Balance at end of year	Balance at beginning of year
Credit loan		1,000,000.00

## 18. Accounts payable

### (1) Details of accounts payable

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Within 1 year	32,906,502.80	27,913,691.56
1-2 years	6,138,350.34	14,225,172.30
2-3 years	5,687,972.17	1,244,258.54
Over 3 years	4,160,398.25	1,588,983.64
<b>Total</b>	<b>48,893,223.56</b>	<b>44,972,106.04</b>

## (2) Significant accounts payable aged over 1 year

Item	Balance at end of year	Reasons
Shenyang Huahao Aluminum Material Distribution Office	6,411,117.61	Unsettled
Jilin Tourism Group Co., Ltd. Changbaishan Hotel	4,872,180.95	Unsettled
Xuzhou Handu Aluminum Co., Ltd.	4,405,302.34	Unsettled
Jiangsu Xunchi Electric Co., Ltd.	3,630,000.00	Unsettled
Liaoning Hongji Power Equipment Manufacturing Co., Ltd.	3,077,379.10	Unsettled
<b>Total</b>	<b>22,395,980.00</b>	

## 19. Contract liabilities

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Equipment sales contract	24,384,827.74	8,729,704.87
Hotel catering service contract	5,459,467.38	4,852,984.52
<b>Total</b>	<b>29,844,295.12</b>	<b>13,582,689.39</b>

## 20. Employee compensation

### (1) Details of employee compensation

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
I. Short-term compensation	4,904,112.44	16,793,053.72	18,355,037.03	3,342,129.13
II. Post-employment benefits – defined contribution plan	183,702.36	740,447.92	767,643.06	156,507.22
III. Termination benefits				
IV. Other benefits due within one year				
<b>Total</b>	<b>5,087,814.80</b>	<b>17,533,501.64</b>	<b>19,122,680.09</b>	<b>3,498,636.35</b>

## (2) Short-term compensation

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year
1. Wages, bonuses, allowances, subsidies	4,467,955.73	11,771,013.57	13,452,830.06	2,786,139.24
2. Employee welfare	0.00	823,339.34	640,113.24	183,226.10
3. Social insurances	62,562.15	2,830,414.83	2,836,998.19	55,978.79
Including: Medical insurance	38,610.48	995,792.44	1,001,010.54	38,610.48
Work injury insurance	3,941.05	96,224.73	100,178.97	-13.19
Maternity insurance	20,010.62	74,158.18	71,569.20	22,599.60
4. Housing provident fund	122,026.81	1,215,169.00	1,294,417.00	42,778.81
5. Labor union expenditure and employee education expenses	251,567.75	153,116.98	130,678.54	274,006.19
<b>Total</b>	<b>4,904,112.44</b>	<b>16,793,053.72</b>	<b>18,355,037.03</b>	<b>3,342,129.13</b>

## (3) Defined contribution plan

Unit: RMB

Item	Balance at Beginning of year	Increment	Decrement	Balance at end of year
1. Basic endowment insurance	163,653.95	716,308.48	737,965.84	141,996.59
2. Unemployment insurance	20,048.42	24,139.44	29,677.23	14,510.63
<b>Total</b>	<b>183,702.36</b>	<b>740,447.92</b>	<b>767,643.06</b>	<b>156,507.22</b>

## 21. Tax payable

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Enterprise income tax	2,332,049.81	2,332,049.81
Value-added tax	39,957.17	50,340.63
City maintenance and construction tax	492.45	492.45
Education surcharge/local education surcharge	566.04	566.04
Individual income tax	19,162.17	283,134.87
Land use tax	19,947.50	19,947.50
Property tax	28,831.55	28,831.55
Stamp duty	92,627.34	99,640.02
<b>Total</b>	<b>2,533,634.03</b>	<b>2,815,002.87</b>



## 22. Other payables

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Interests payable		
Dividends payable		
Other payables	228,303,607.94	234,938,640.33
<b>Total</b>	<b>228,303,607.94</b>	<b>234,938,640.33</b>

### (1) Other payables

#### ① Details of other payables by nature

Unit: RMB

Item	Balance at end of year	Balance at beginning
Compensation due for CDB case (Note)	94,078,130.44	94,078,130.44
Current account	134,225,477.50	140,860,509.89
<b>Total</b>	<b>228,303,607.94</b>	<b>234,938,640.33</b>

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

(2) On 30 November 2018, Fuxin Enclosed Busbar Co., Ltd. ("Fuxin Busbar"), a wholly-owned subsidiary of the Company, filed a lawsuit with Hainan Higher People's Court, claiming for Shenyang HVS to pay USD16 million, which was the consideration for the transfer of 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (formerly Shenyang Xintai High-voltage Electric Co., Ltd.), as well as the interest accrued from the date of transfer to the date of litigation, and for the Company to be jointly liable for the payment of the equity transfer consideration by Shenyang HVS. 74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulation Switches Co., Ltd. (formerly Shenyang Xintai High-voltage Electric Co., Ltd.) (the "Underlying Equity") was held by Fuxin Busbar by 22 September 2008. Due to the enforcement of the final judgment made by the Supreme People's Court on 5 September 2008 for the case of CDB (Document (2008) Min Er Zhong Zi No. 23) and under the coordination of the Company, Fuxin Busbar, a 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 Company is legally entitled to claim Shenyang HVS matured debt totaling RMB178,549,569.56, including equity transfer payment, interest, interest on debt during the period of delayed performance. In accordance with Article 99 of the Contract Law of the People's Republic of China and other relevant laws, the Company has notified Shenyang HVS by post on 7 September 2020 that the aforesaid matured debt due from Shenyang HVS of RMB178,549,569.56 would be offset against the Company's matured debt due to Shenyang HVS arising from the Civil Ruling (2004) Gao Min Chu Zi No. 802 issued by the Beijing Municipal Higher People's Court and the Civil Ruling (2008) Min Er Zhong Zi No. 23 issued by the Supreme People's Court, namely, the offset amount was RMB178,549,569.56. The Company has published an

announcement on Liaoshen Evening News, a media in Liaoning where Shenyang HVS is located on 11 September 2020; the debt offset has become effective on 11 September 2020. At the same time, the Company has carried out offset accounting treatment.

②The important other payables with an aging of more than one year are mainly funds that have not been executed in litigation. Due to the lack of enforceable assets in the China Development Bank case, the Hainan Provincial First Intermediate People's Court issued the (2021) Qiong 96 Zhi 120-2 execution ruling on March 10, 2023, which made the final settlement of the China Development Bank execution case.

### 23. Non-current liabilities due within one year

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Lease liabilities due within one year	6,909,571.79	6,909,571.79
Other	169,835.05	
<b>Total</b>	<b>7,079,406.84</b>	<b>6,909,571.79</b>

### 24. Other current liabilities

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
taxes payable-output tax to be transferred	2,350,949.91	1,348,905.64
Endorsement transfer of receivable Notes		1,190,953.98
<b>Total</b>	<b>2,350,949.91</b>	<b>2,539,859.62</b>

### 25. Lease liabilities

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Site lease	7,142,857.15	7,142,857.15
Deduct: Unconfirmed financing expenses	233,285.36	233,285.36
<b>Total</b>	<b>6,909,571.79</b>	<b>6,909,571.79</b>
Less: Lease liabilities due within one year (Note23)	6,909,571.79	6,909,571.79
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

## 26. Estimated liabilities

Unit: RMB

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

Note:

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

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

## 27. Deferred income

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year	Reason
Government subsidies	32,184,681.66		962,600.82	31,222,080.84	Fuxin Enclosed Busbar Co., Ltd.Plant relocation
<b>Total</b>	<b>32,184,681.66</b>		<b>962,600.82</b>	<b>31,222,080.84</b>	

In particular, projects involving government grants:

Unit: RMB

Item	Balance at beginning of year	New grants of year	Amount of nonoperating income included of year	Amount of other income included of year	Balance at end of year	Asset/ Revenue related
Policy-based relocation compensation for new plant construction project	32,184,681.66			962,600.82	31,222,080.84	Related to assets

## 28. Share capital

Unit: RMB

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

## 29. Capital reserve

Unit: RMB

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

## 30. Other comprehensive income

Unit: RMB

Item	Balance at beginning of year	Amount for this period					Attributable to the parent Company after tax	Attributable to minority interests after tax	Balance at end of year
		Amount before income tax	Less: previous comprehensive income converted to current profit or loss	Less: previous other comprehensive income converted to current retained earnings	Less: income tax				
I. OCI that cannot be reclassified into profit or loss	31,195,596.01							-231,195,596.01	
Changes in fair value of other equity instruments investment	31,195,596.01							-231,195,596.01	
II. OCI to be reclassified into profit or loss	27,163,941.12	659,232.68				-1,659,232.68		-28,823,173.80	
Foreign currency translation difference	27,163,941.12	659,232.68				-1,659,232.68		-28,823,173.80	
<b>Total</b>	<b>58,359,537.13</b>	<b>659,232.68</b>				<b>-1,659,232.68</b>		<b>-260,018,769.81</b>	

### 31. Special Reserve

Unit: RMB

Item	Balance at beginning of year	Increment	Decrement	Balance at end of year	Reason
Safety production cost	643,182.40	386,649.66	124,486.59	905,345.47	If the operating income of the previous year does not exceed RMB10 million, it shall be extracted at a rate of 2.35%; The portion exceeding 10 million to RMB100 million will be extracted at 1.25%
<b>Total</b>	<b>643,182.40</b>	<b>386,649.66</b>	<b>124,486.59</b>	<b>905,345.47</b>	

Note: According to the Chinese Enterprise Accounting Standards, enterprises are required to include the provision and use of safety production fees in special reserves in accordance with the Safety Production Law. The special reserve amount at the end of last year was RMB643,182.4, and at the end of this period it was RMB905,345.47. According to international accounting standards, the adjustment was included in other payables, resulting in a difference in net assets disclosed in the financial reports at the end of this period and the end of the previous year in accordance with domestic and foreign accounting standards.

### 32. Surplus reserve

Unit: RMB

Item	Balance at Beginning of year	Increment	Decrement	Balance at end of year
Statutory surplus reserve	80,028,220.48			80,028,220.48
Optional surplus reserve	28,558,903.92			28,558,903.92
<b>Total</b>	<b>108,587,124.40</b>			<b>108,587,124.40</b>



### 33. Undistributed profit

Unit: RMB

Item	Amount for the year	Extract or allocate proportions
Undistributed profit at the end of the previous year before adjustment	,017,913,378.36	
Adjustment for total undistributed profits at the beginning of the year (+ for increase and – for decrease)		
Undistributed profits at the beginning of the year after adjustment	,017,913,378.36	
Add: Net profits attributable to shareholders of the parent for the year	3,587,825.33	
Less: Appropriation for statutory surplus reserve		
Appropriation for optional surplus reserve		
Extract general risk provision		
Ordinary shares dividends payable		
Ordinary shares dividends converted to equity		
Undistributed profit at the end of the year	,014,325,553.03	

### 34. Operating income and operating costs

#### (1) Operating Revenue and Costs

Unit: RMB

Item	Amount for the year		Amount for previous year	
	Income	Cost	Income	Cost
Main business	67,972,751.65	41,144,798.54	39,575,875.51	17,867,250.27
Other business				925,916.67
<b>Total</b>	<b>67,972,751.65</b>	<b>41,144,798.54</b>	<b>39,575,875.51</b>	<b>18,793,166.94</b>

#### (2) Main business revenue and costs (by industry)

Unit: RMB

Item	Amount for the year		Amount for previous year	
	Income	Cost	Income	Cost
Industrial product industry	44,063,362.78	37,354,173.02	15,996,739.52	13,823,934.01
Hotel industry	23,909,388.87	3,790,625.52	23,579,135.99	4,969,232.93
Service	0.00	0.00	0.00	0.00
<b>Total</b>	<b>67,972,751.65</b>	<b>41,144,798.54</b>	<b>39,575,875.51</b>	<b>18,793,166.94</b>

### (3) Main business revenue and costs (by product)

Unit: RMB

Item	Amount for the year		Amount for previous year	
	Income	Cost	Income	Cost
Enclosed busbar	44,063,362.78	37,354,173.02	15,996,739.52	13,823,934.01
Catering	9,125,075.04	3,748,721.53	9,240,710.26	4,933,231.73
Room revenue/Other	14,784,313.83	41,903.99	14,338,425.73	36,001.20
<b>Total</b>	<b>67,972,751.65</b>	<b>41,144,798.54</b>	<b>39,575,875.51</b>	<b>18,793,166.94</b>

### (4) Operating revenue is presented by the timing of revenue recognition

Unit: RMB

Item	Sales of enclosed busbar products	Hotel and catering industry	Hotel rental income	Other hotel revenues	Other income	Total
Confirm income within a certain period						
Recognized at a certain point	44,063,362.78	23,909,388.87				67,972,751.65
<b>Total</b>	<b>44,063,362.78</b>	<b>23,909,388.87</b>				<b>67,972,751.65</b>

## 35. Tax and surcharges

Unit: RMB

Item	Amount for the year	Amount for previous year
City maintenance and construction tax	3,815.63	31,607.04
Education surcharges	2,724.02	13,758.88
Land use tax	119,685.00	119,685.00
House tax	172,989.30	172,989.30
Stamp duty	31,025.87	18,511.45
Vehicle and vessel use tax	5,007.84	3,464.16
Others	31,308.84	17,468.71
<b>Total</b>	<b>366,556.50</b>	<b>377,484.54</b>

### 36. Sales expenses

Unit: RMB

Item	Amount for the year	Amount for previous year
Employee compensation	8,586,621.37	6,993,260.19
Labor outsourcing fee	444,444.16	414,101.57
Depreciation of right-of-use assets	3,454,785.90	3,454,785.90
Vehicle usage fee	956,415.16	461,043.20
Material consumption	1,322,645.28	144,484.53
After-sales services expenses	351,092.15	1,090,401.87
Energy expenses	192,948.81	282,450.76
Travelling expenses	1,012,183.69	221,629.67
Property fee	2,855,714.00	1,066,744.52
Repair expenses	742,668.93	823,468.50
Commission	221,757.67	236,171.10
Cleaning fee	0.00	143,589.98
Bidding fee	579,413.68	110,859.43
Entertainment fee	235,656.78	191,217.08
Others	1,766,591.93	84,642.64
<b>Total</b>	<b>22,722,939.51</b>	<b>19,561,261.94</b>

### 37. Administrative expenses

Unit: RMB

Item	Amount for the year	Amount for previous year
Employee compensation	6,803,095.27	5,607,176.66
Agency fee	398,473.67	56,841.39
Office expenses	56,321.11	282,832.94
Rental fee	31,937.92	204,302.95
Depreciation expenses	384,777.34	408,535.61
Amortization charge	132,003.06	132,003.06
Heating expenses	122,234.16	128,077.73
Travelling expense	105,426.79	105,788.84
Entertainment fee	279,360.87	212,593.66
Others	2,082,916.92	1,894,127.82
<b>Total</b>	<b>10,396,547.11</b>	<b>9,032,280.66</b>

### 38. R&D expenditure

Unit: RMB

Item	Amount for the year	Amount for previous year
Insulated tube busbar	194,835.31	326,834.30
Common box busbar dehumidification system	151,240.6	
Dense bus duct	208,606.45	357,680.12
Epoxy resin cast tubular busbar	290,515.87	215,868.69
PTLA cabinet structure improvement test section		264,695.58
Insulated tube busbar	194,835.31	
<b>Total</b>	<b>845,198.23</b>	<b>1,165,078.69</b>

### 39. Financial expenses

Unit: RMB

Item	Amount for the year	Amount for the year
Interest expenses	169,834.99	158,719.27
Less: Interest income	-23,569.75	-11,311.63
Exchange gain or loss		
Bank charges	367,998.20	126,177.55
<b>Total</b>	<b>514,263.44</b>	<b>273,585.19</b>

### 40. Other income

Unit: RMB

Item	Amount for the year	Amount for previous year	Non recurring gains and losses for this year
VAT exemption or reduction	566,659.24	109,888.12	
Compensation for new plant construction project in policy-based demolition	962,600.82	962,600.82	
Stable employment subsidies and R&D funding subsidies			
<b>Total</b>	<b>1,529,260.06</b>	<b>1,072,488.94</b>	

#### 41. Investment returns

Unit: RMB

The source of investment income	Amount for the year	Amount for previous year
Investment income obtained from the disposal of financial assets measured at fair value with changes recognized in current profit or loss		
Investment income obtained from disposing of trading financial assets		
Debt restructuring income	9,124,471.12	
<b>Total</b>	<b>9,124,471.12</b>	<b>0.00</b>

#### 42. Credit impairment loss

Unit: RMB

Item	Amount for the year	Amount for previous year
Credit impairment loss on accounts receivable	-10,111.68	-4,211.67
Other receivables credit impairment losses		
<b>Total</b>	<b>-10,111.68</b>	<b>-4,211.67</b>

#### 43. Impairment loss

Item	Amount for the year	Amount for previous year
Inventory falling price reserves		
Provision for impairment of right of use assets		
Provision for impairment of contract assets		
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

Unit: RMB

#### 44. Gain on asset disposal

Unit: RMB

Item	Amount for the year	Amount for previous year
Profit and loss from disposal of fixed assets	3,628.15	-53,416.45

#### 45. Non-operating income

Unit: RMB

Item	Amount for the year	Amount for previous year	Amounts included in the current nonrecurring profit or loss
Refund of litigation fees			
Others	105,441.41	26,755.87	105,441.41
Write off of accounts receivable and payable			
<b>Total</b>	<b>105,441.41</b>	<b>26,755.87</b>	<b>105,441.41</b>

#### 46. Non-operating expenses

Unit: RMB

Item	Amount for the year	Amount for previous year	Amounts included in the current nonrecurring profit or loss
Fine for overdue payment	5,655.02	598.84	5,655.02
Compensation expenses			
Non current asset damage and scrapping losses			
Others			
<b>Total</b>	<b>5,655.02</b>	<b>598.84</b>	<b>5,655.02</b>

#### 47. Income tax expense

##### (1) Income tax expense

Unit: RMB

Item	Amount for the year	Amount for previous year
Current income tax expense		
Deferred Income Tax Expense	-906,155.22	
<b>Total</b>	<b>-906,155.22</b>	<b>0</b>

#### 48. Other comprehensive income

See Note V, 30 for details.

## 49. Statements of cash flows

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

Unit: RMB

Item	Amount for the year	Amount for previous year
Government subsidy		1,314.43
Interest income	9,186.57	10,162.87
Current accounts	525,931.44	399,805.05
Bidding deposits	4,449,931.76	2,717,729.57
performance bond		
Others	243,423.44	2,047,783.60
<b>Total</b>	<b>5,228,473.21</b>	<b>5,176,795.52</b>

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

Unit: RMB

Item	Amount for the year	Amount for previous year
Fees for cash payments	6,876,803.40	2,752,539.12
Current accounts	2,078,594.14	1,768,766.55
Deposits for performance guarantees	0.00	0.00
Deposits for bidding	5,511,348.50	2,763,191.00
Others	1,826,412.11	361,327.60
<b>Total</b>	<b>16,293,158.15</b>	<b>7,645,824.27</b>

### (3) Cash received from investment recovery

Unit: RMB

Item	Amount for the year	Amount for previous year
Equity sale proceeds	9,100,000.00	
<b>Total</b>	<b>9,100,000.00</b>	

## 50. Supplementary Information to Cash Flow Statement

### (1) Supplementary Information to Cash Flow Statement

Unit: RMB

Additional information	Balance at end of year	Balance at beginning of year
1.Adjusting net profit to operating cash flow:		
Net profit	3,635,637.58	-15,097,756.10
Add: Asset impairment loss		98,909.57
Credit impairment loss	10,111.68	-1,144,664.27
Fixed asset depreciation	1,546,090.35	3,210,512.08
Depreciation of right of use assets	3,454,785.84	6,909,571.79
Amortization of intangible assets	132,003.06	264,006.12
Amortization of long-term deferred expenses		
Asset disposal losses (income indicated by "-")	-3,628.15	53,416.45
Fixed asset scrapping loss (income indicated by "-")		
Fair value change loss (income indicated by "-")		
Financial expenses (income is indicated by "-")	169,834.99	397,453.60
Investment loss (income indicated by a "-")	-9,124,471.12	
Decrease in deferred tax assets (increase indicated by "-")	-42,458.76	
Increase in deferred income tax liabilities (decrease indicated by "-")	-862,614.06	
Decrease in inventory (increase indicated by a "-")	-10,784,806.90	-1,397,726.56
Decrease in operating receivables (increase indicated by "-")	3,679,482.90	2,218,850.88
Increase in operating payables (decrease indicated by "-")	2,576,061.17	-2,240,817.68
Other	262,163.07	643,182.40
Net cash flows from operating activities	-5,351,808.35	-4,687,335.16
2.Major investment and financing activities that do not involve cash inflows and outflows:		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
Confirm the lease of the right to use assets		6,909,571.79
3.Net changes in cash and cash equivalents:		
Closing balance of cash	10,121,809.44	6,442,713.65
Subtract: Opening balance of cash	6,442,713.65	8,582,760.25
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	3,679,095.79	-2,140,046.60



## (2) Composition of cash and cash equivalents

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
1.Cash	10,121,809.44	6,442,713.65
Cash on hand	92,325.39	90,300.39
Payable bank deposits	10,029,484.05	6,352,413.26
2.Cash equivalents		
3.Closing balance of cash and cash equivalents	10,121,809.44	6,442,713.65

Note: The amount of invoices obtained and endorsed for transfer to commodity suppliers by Fuxin Closed Busbar Co., Ltd. for the sale of goods or provision of services this year is RMB19,568,900.29.

## (3) Current period changes in liabilities arising from fundraising activities

Unit: RMB

Item	Balance at beginning of year	Increased this year		Decreased this year		Balance at end of year
		Cash	Not cash	Cash	Not cash	
Related party loans	4,238,694.70					4,238,694.70
Bill receivable						
<b>Total</b>	<b>4,238,694.70</b>					<b>4,238,694.70</b>

## 51. Assets with restricted ownership or use right

Unit: RMB

Item	Book balance at end of year	Reason
Monetary capital	3,996,226.83	Performance bond and judicial freeze

## 52. Foreign-currency monetary items

### (1) Foreign-currency monetary items

Unit: RMB

Item	Foreign currency balance at end of year	Exchange rate	Translated RMB balance at end of year
Monetary capital			
Including: US dollars	1,573.32	7.2612	11,424.33
HK dollars	475,500.30	0.9307	442,548.13

### (2) Explanation of Overseas Operating Enterprises

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 Subsidiary Investment (高才科技有限公司)	British Virgin Islands	HKD	Territory

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

### 53. Government grants

#### (1) Basic information on government subsidies

Unit: RMB

Grants Project	Balance at beginning of year	Amount of new grants	Include in non operating income amount	Transfer of other income amount in this period	Other	Balance at end of year	Related to assets/related to returns
Relocation compensation	32,184,681.66			962,600.82		1,222,080.84	Related to assets
<b>Total</b>	<b>32,184,681.66</b>			<b>962,600.82</b>		<b>1,222,080.84</b>	

#### (2) Government subsidies included in current profit and loss

Unit: RMB

Grants Project	Amount recognized in profit or loss for this period	Amount recognized in profit or loss in the previous period	Item	Related to assets/related to returns
Relocation compensation	962,600.82	962,600.82	Other income	Related to assets
Subsidies for technology-based enterprises			Other income	Related to assets
Stable employment subsidy	38,091.00		Other income	Related to assets
<b>Total</b>	<b>1,000,691.82</b>	<b>962,600.82</b>		

## VI. Equity in Other Entities

### 1. Equity in subsidiaries

#### (1) Composition of the Group

Name of subsidiary	Registered capital	Name of subsidiary	Registration place	Principal business	Shareholding ratio (%)		Means of acquisition
					Direct	Indirect	
Northeast Electric Development (HK) Co., Ltd.	USD 20million	HK	HK	Investment/ Trade	100.00		Set up
Great Talent Technology Limited Subsidiary Investment	USD1	BVI	BVI	Investment	100.00		Set up
Shenyang Kaiyi Electric Co., Ltd.	RMB 1million	Shenyang	Shenyang	Manufacturing , sales of electrical equipment	10.00	90.00	Set up
Fuxin Enclosed Busbar Co., Ltd.	USD 8.5million	Fuxin	Fuxin	Manufacturing of enclosed busbar		100.00	Set up
Hainan Garden Lane Flight Hotel Management Co., Ltd.	RMB 50million	Haikou	Haikou	Investment		99.00	Set up
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	RMB 10million	Chengdu	Chengdu	Chengdu Engineering design and construction, reconnaissance and design, project consultation of new energy		51.00	Merger acquisition under different control
NEE Business Travel (Hainan) Information Consulting Co., Ltd.	RMB 1.5million	Haikou	Haikou	Property leasing, hotel catering		51.00	Set up

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

Unit: RMB

Name of subsidiary	Percentage of minority shares (%)	Profit or loss attributable to minority shareholders in the year	Dividends paid to minority shareholders in the year	Closing balance of minority interests
Hainan Garden Lane Flight Hotel Management Co., Ltd.	1.00	48,590.11		-1,364,007.30
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	49.00	-455.62		3,404,778.89
NEE Business Travel (Hainan) Information Consulting Co., Ltd.	49.00	-322.24		-322.24

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

Unit: RMB

Name of subsidiary	Balance at end of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	32,791,945.27	27,644,835.87	60,436,781.14	196,816,888.22		196,816,888.22

(Continued)

Name of subsidiary	Balance at beginning of year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	41,784,621.10	31,099,621.71	72,884,242.81	214,123,361.02		214,123,361.02

(Continued)

Name of subsidiary	Amount for the year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	23,909,388.87	4,859,011.13	5,174,480.23	-2,989,442.94

(Continued)

Name of subsidiary	Amount for previous year			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Hainan Garden Lane Flight Hotel Management Co., Ltd.	23,579,135.99	-3,469,258.68	-3,469,258.68	-6,384,146.36

## 2. Equity in joint ventures or associates

Name of associate	Principle operating place	Registration place	Nature of business	Shareholding ratio (%)		Accounting method for investment in associates
				Direct	Indirect	
Great Power Technology Limited	BVI	BVI	Investment holding		20.80	Equity method

## VII. Risks Related to Financial Instrument

The Company's business activities will face various financial risks: market risks (mainly including foreign exchange risk, interest rate risk and other price risks), credit risk and liquidity risk. The Company has formulated risk management policies to reduce the potential adverse effects of various risks on financial performance.

### 1. Market risks

#### (1) Foreign exchange risk

Foreign exchange risk refers to the risk of losses caused from exchange rate fluctuations. The foreign exchange risks of the Company are mainly related to Hong Kong dollars. In addition to the Company's overseas subsidiaries, namely Dongbei Electric Development (Hong Kong) Co., Ltd. and Gaocai Technology Co., Ltd., etc., other major business activities of the Company shall be settled in RMB. On June 30 2024, the company's subsidiaries operating overseas have no procurement and sales business, only the occurrence of daily expenses.

On June 30 2024, with other variables unchanged, if the exchange rate of Hong Kong dollar against RMB appreciates or depreciates by 0.5%, the pretax impact on current profit and loss and shareholders' equity is as follows:

Unit: RMB

Item	Change in exchange rate	Current year		Previous year	
		Impacts on profit	Impacts on shareholders' equity	Impacts on profit	Impacts on shareholders' equity
Conversion of foreign currency statements	0.5% appreciation against the RMB		325,987.43		149,253.08
Conversion of foreign currency statements	0.5% depreciation against RMB		-325,987.43		-149,253.08

## **2. Credit risks**

Credit risk refers to the risk that one party of a financial instrument fails to perform its obligations, resulting in financial losses to the other party.

As of June 30 2024, the credit risk of the Company mainly comes from the financial assets recognized by the Company, specifically including:

The carrying amount of recognized financial assets in the consolidated balance sheet, the maximum exposure is equal to the carrying value of these financial assets.

For the method by which the Company assesses whether the credit risk has increased since the initial recognition, the basis for determining the credit impairment of financial assets, the combination method of the financial instruments assessing the expected credit risk based on the portfolio, and the policy of direct write-down of financial instruments, please refer to Note III.11.

Quantitative data of credit risk exposure and loss provision due to accounts receivable and other receivables of the Company are disclosed in Notes V. 2 and Notes V.4.

## **3. Liquidity risk**

As of 30 June 2024, the current liabilities of the Company were RMB208.66 million more than current assets. Material uncertainties concerning major matters which might impact the continuous operation of the Company exist, thus may result in the Company's inability to liquidate assets and repay debts during its normal operation.



### XIII. Disclosure of Fair Value

#### 1. Year-end fair value of assets and liabilities at fair value

Unit: RMB

Item	Year-end fair value			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
I. Recurring fair value measurement				
(I) Financial assets held for trading				
1. Investment in debt instruments				
2. Investment in equity instruments				
3. Other non-current financial assets			19,083,585.02	19,083,585.02
<b>Total assets at fair value on a recurring basis</b>			<b>19,083,585.02</b>	<b>19,083,585.02</b>

#### 2. Continuous and non-sustainable third level fair value measurement items, the valuation techniques and qualitative and quantitative information of important parameters

Through understanding the trust products of 2024 operations, and collect the trust products involves the main company financial data, measure related financial indicators and compare with data on December 31 2023, shows that the relevant financial indicators have not changed significantly, so confirm the trust products confirmed other non-current financial assets on June 30 2024 fair value and the fair value of December 31 2023 confirmed.

## IX. Related parties and related party transactions

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

Name	Registration place	Nature of business	Registered capital (RMB0'000)	Shareholding ratio of the largest shareholder (%)	Voting percentage of the largest shareholder (%)
Beijing Haihongyuan Investment Management Co., Ltd.	Beijing	Beijing Investment and management	352,000	9.33	9.33

Notes: The ultimate controller of the Company is Hainan Province Cihang Foundation. As of 30 June 2024, Beijing Haihongyuan Investment Management Co., Ltd. pledged 9.33% of its equity in the Company to Bank of Guangzhou Co., Ltd..

### 2. Subsidiaries of the Company

For details of the subsidiaries of the Company, see Note VI. 1 "Interests in Subsidiaries".

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

For the important joint ventures of the Company, see Note VI.2 "Interests in the joint venture or joint venture". In addition, there is no other joint venture and joint venture enterprise.

### 4. Other related parties

Name	Relationship
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Affiliates of the controlling shareholder of the Company
Dongguan Yujingwan Restaurant	Affiliates of the controlling shareholder of the Company
Shopping Group Financial Co., Ltd.	Affiliates of the controlling shareholder of the Company
HNA Hotel (Group) Co., Ltd.	Affiliates of the controlling shareholder of the Company
HNA Hotel Group (Hongkong) Co., Limited	Affiliates of the controlling shareholder of the Company
HNA Hotel Holding Group Co., Ltd.	Affiliates of the controlling

Name	Relationship
	shareholder of the Company
HNA Tianjin Center Development Co., Ltd.	Affiliates of the controlling shareholder of the Company
Hainan Airlines Tianjin Center Development Co., Ltd. Tangla Yaxiu Hotel	Affiliates of the controlling shareholder of the Company
Yunnan Tonghui Hotel Management Co., Ltd.	Affiliates of the controlling shareholder of the Company
Hainan Guoshang Hotel Management Co., Ltd.	Affiliates of the controlling shareholder of the Company
HNA International Hotel Management Co., Ltd.	Affiliates of the controlling shareholder of the Company
Hainan HNA Business Services Co., Ltd.	Affiliates of the controlling shareholder of the Company
Jilin Tourism Group Co., Ltd. Changbaishan Hotel	Affiliates of the controlling shareholder of the Company
Jilin Tourism Group Co., Ltd. Zijinghua Restaurant	Affiliates of the controlling shareholder of the Company
Tunchang Haihang Agricultural Park Investment Co., Ltd.	Affiliates of the controlling shareholder of the Company
Sanya Asia-Pacific International Conference Center Sanya Haihang Holiday Hotel	Affiliates of the controlling shareholder of the Company
Yunshangtong International Holdings Co., Ltd.	Affiliates of the controlling shareholder of the Company
Hainan Jiasheng Enterprise Management Co., Ltd.	Affiliates of the controlling shareholder of the Company
Hainan Yuanda Xunhe Enterprise Management Partnership (Limited Partnership)	Affiliates of the controlling shareholder of the Company
Dalian HNA Changjiang Real Estate Co., Ltd.	Affiliates of the controlling shareholder of the Company
Changchun Noble Hotel Co., Ltd.	Affiliates of the controlling shareholder of the Company
Hainan Yuanxing Ruoshui Industrial Co., Ltd.	Affiliates of the controlling shareholder of the Company
HNA Asset Management Group Co., Ltd.	Affiliates of the controlling shareholder of the Company

## 5. Related party transactions

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

① Goods purchased/labor services received

Related party	Content of related party transactions	Amount for the year	Amount for previous year
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Procurement and inventory		
Dongguan Yujingwan Hotel	Labor cost and remuneration paid on behalf of employees		

Related party	Content of related party transactions	Amount for the year	Amount for previous year
Dongguan Yujingwan Hotel	Procurement and inventory		
Dongguan Yujingwan Hotel	Utilities and out-of-pocket expenses		
HNA Hotel (Group) Co., Ltd.	remuneration paid on behalf of employees		
HNA Tianjin Center Development Co., Ltd.	water and electricity/room charges		
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Procurement and inventory		
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Labor cost and remuneration paid on behalf of employees		
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Labor cost and remuneration paid on behalf of employees		
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Procurement and inventory		

② Sales of goods/provision of labor services

Related party	Content of related party transactions	Amount for the year	Amount for previous year
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Catering and accommodation		
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Catering and accommodation		
Tangla Hotels & Resorts, HNA Tianjin Center Development Co., Ltd.	Catering and accommodation		
HNA International Hotel Management Co., Ltd.	Catering and accommodation		
Hainan HNA International Hotel Management Co., Ltd. Kunming Branch	third party payment		
HNA Tianjin Center Development Co., Ltd.	Catering and accommodation		

## (2) Related party lease

① The Company as a lessee

Unit: RMB

Lesser name	Type of leased assets	Rental expense recognized in the year	Rental expense recognized in previous year
HNA Tianjin Center Development Co., Ltd.	Parking lot leasing		

Lessor name	Type of leased assets	Rental expense recognized in the year	Rental expense recognized in previous year
Dongguan Yujingwan Hotel	Hotel premises leasing		
Zijinghua Restaurant, Jilin Province Tourism Group Co., Ltd.	Hotel premises leasing		
Changbaishan Hotel, Jilin Province Tourism Group Co., Ltd.	Hotel premises leasing		
Changchun Noble Hotel Co., Ltd.	Hotel premises leasing		
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	Hotel premises leasing	7,142,857.14	7,142,857.14
HNA Tianjin Center Development Co., Ltd.	Hotel premises leasing		

### (3) Related party funds lending

Unit: RMB

Related party	Borrowing amount	Starting date	Maturity date	Description

### (4) Salary of important management personnel

Unit: RMB

Item	Amount incurred this year	Amount incurred in the previous year
Personnel compensation	781,247.45	1,662,494.89

## 6. Intercompany receivables and payables balance

### (1) Accounts receivable

Unit: RMB

Item	Balance at end of year		Balance at beginning of year	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
Accounts receivable:				
HNA International Hotel Management Co., Ltd.	292,579.00	74,266.90	292,579.00	74,266.90
Changchun Noble Hotel Co., Ltd.	1,812,674.45	181,267.45	1,812,674.45	181,267.45
Jilin Tourism Group Co., Ltd. Zijinghua Restaurant	282,201.34	281,592.60	282,201.34	281,592.60
Hainan HNA International Hotel Management Co., Ltd. Kunming Branch	634,472.32	63,447.23	634,472.32	63,447.23

Item	Balance at end of year		Balance at beginning of year	
	Carrying amount	Provision for bad debt	Carrying amount	Provision for bad debt
HNA Tianjin Center Development Co., Ltd.	66,749.00	6,674.90	66,749.00	6,674.90
Hainan Airlines Tianjin Center Development Co., Ltd. Tangla Yaxiu Hotel	457,855.20	23,764.17	457,855.20	23,764.17
<b>Total</b>	<b>3,546,531.31</b>	<b>631,013.25</b>	<b>3,546,531.31</b>	<b>631,013.25</b>
Other receivables:				
HNA Aviation Management Services Co., Ltd.	674,271.30	67,427.13	674,271.30	67,427.13
Dongguan Yujingwan Restaurant	114,229.10	11,422.91	114,229.10	11,422.91
Jilin Tourism Group Co., Ltd. Zijinghua Restaurant	1,117,047.84	1,117,047.84	1,117,047.84	1,117,047.84
Yunnan Tonghui Hotel Management Co., Ltd.	42,816.00	4,281.60	42,816.00	4,281.60
Hainan HNA Business Services Co., Ltd.	8,055.00	800.5	8,055.00	800.5
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.	4,421,877.65	432,230.18	4,421,877.65	432,230.18
Hangzhou Huating Yunxi Holiday Hotel Co., Ltd.	4,080,152.53	278,299.03	4,080,152.53	278,299.03
Changchun Noble Hotel Co., Ltd.	674,271.30	67,427.13	674,271.30	67,427.13
<b>Total</b>	<b>10,458,449.42</b>	<b>1,911,509.19</b>	<b>10,458,449.42</b>	<b>1,911,509.19</b>

## (2) Accounts payable

Unit: RMB

Item	Balance at end of year	Balance at beginning of year
Accounts payable:		
Hainan Airlines Tianjin Center Development Co., Ltd. Tangla Yaxiu Hotel	131,668.95	131,668.95
HNA Tianjin Center Development Co., Ltd.	3,340,955.01	3,340,955.01
Hainan Guoshang Hotel Management Co., Ltd.	6,800.00	6,800.00
HNA International Hotel Management Co., Ltd.	0.00	0.00
HNA Hotel (Group) Co., Ltd.	31,083.24	31,083.24
Changchun Noble Hotel Co., Ltd.	8,615.03	8,615.03
Yunnan Tonghui Hotel Management Co., Ltd.	3,086,241.79	3,086,241.79
Dalian Changjiang Plaza Co., Ltd		
Jilin Tourism Group Co., Ltd. Changbaishan Hotel	4,872,180.95	4,872,180.95
<b>Total</b>	<b>11,477,544.97</b>	<b>11,477,544.97</b>

Item	Balance at end of year	Balance at beginning of year
Other payables:		
Jilin Tourism Group Co., Ltd. Zijinghua Restaurant	171,911.92	171,911.92
HNA Hotel Group (Hongkong) Co., Limited	140,000.00	140,000.00
HNA Hotel (Group) Co., Ltd.	20,164.34	20,164.34
HNA Hotel Holding Group Co., Ltd.	464,280.66	464,280.66
Tunchang Haihang Agricultural Park Investment Co., Ltd.	12,666.00	12,666.00
Great Power Technology Limited		
Beijing Haihongyuan Investment Management Co., Ltd.	4,238,694.70	4,238,694.70
Dongguan Yujingwan Restaurant	9,197,642.90	9,197,642.90
Hainan HNA Business Services Co., Ltd.	1,600.00	1,600.00
Hainan Guoshang Hotel Management Co., Ltd.	10,290.00	10,290.00
HNA Tianjin Center Development Co., Ltd.	2,519,360.00	2,519,360.00
Yunshangtong International Holdings Co., Ltd.	7,997,300.00	7,997,300.00
Hainan Airlines Tianjin Center Development Co., Ltd. Tangla Yaxiu Hotel	695,084.60	695,084.60
Nikko Hotel, Dalian Changjiang Plaza Co., Ltd.		
Dalian Changjiang Plaza Co., Ltd	17,324,945.40	17,324,945.40
Hainan Yuanxing Ruoshui Industrial Co., Ltd.	5,510.00	1,955.16
Hainan Yingzhi Business Services Co., Ltd.	2,193,540.17	2,193,540.17
HNA Asset Management Group Co., Ltd.	800,000.00	800,000.00
Antu Business Travel Services Co., Ltd.	3,420.00	3,420.00
Hainan Transservice Management Company Limited	709,034.87	661,092.75
Hainan Hai Chuang Bai Chuan Equity Investment Fund Management Co., Ltd.	399,814.11	399,814.11
Hainan Fushun Investment and Development Co., Ltd.	874,612.35	874,612.35
Changchun Noble Hotel Co., Ltd.	6,385,536.19	6,385,536.19
<b>Total</b>	<b>54,165,408.21</b>	<b>54,113,911.25</b>

## **X. Commitment and Contingent Events**

### **1. Significant commitment**

As at 30 June 2024, the Group has no significant commitment required to be disclosed.

### **2. Contingent events**

As at 30 June 2024, the Group has no significant contingent event required to be disclosed.

## **XI. Post Balance Sheet Date Events**

### **1. Major non-adjusting events**

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

### **2. Others**

As at the reporting date, the Group has no other material post-balance sheet non-adjustment events that need to be disclosed.

## **XII. Other important matters**

### **1. Segment information**

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

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



A. Sales of enclosed busbar products, mainly producing and selling enclosed busbar products;

B. Hotel and catering industry, mainly producing catering and accommodation (including outward investment in the hotel and catering industry).

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

## (2) Financial information on the reportable segments

Item	Sales of enclosed busbar products	Hotel catering and accommodation	Undistributed	Inter-segment elimination	Total
External operating income	44,063,362.78	23,909,388.87			67,972,751.65
Revenue from inter branch transactions					0.00
Sales expense	4,104,562.34	18,618,377.17			22,722,939.51
Credit impairment loss		10,111.68			10,111.68
Losses on asset impairment					0.00
Depreciation and amortization	1,639,778.04	3,377,554.20	13,669.92		5,031,002.16
Total profit (loss)	-603,072.89	4,859,011.13	-1,526,455.88		2,729,482.36
Total assets	129,422,409.12	60,436,781.14	289,590,673.68	-295,949,898.60	183,499,965.34
Total liabilities	167,749,168.65	196,816,888.22	420,192,848.31	-395,814,874.10	388,944,031.08

## (3) Information on revenue from external transactions

A. Revenue from external transactions

Please refer to Note V.33 for details.

B. Geographic information

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

C. Information on main customers

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

## 2. Leasing

(1) Please refer to Note V. 13,23,24 for right-of -use assets and lease liabilities.

(2) The Group as a lessee

Item	Amount
Short-term lease expense (applicable to simplified approach)	
Low value asset leasing expenses with simplified treatment included in current profit and loss	
Interest expenses on lease liabilities	233,285.36
Variable lease payments not included in the measurement of lease liabilities included in the current period's profit and loss	
Income obtained from subleasing the right to use assets	
Total cash outflow related to leasing	
Related gains and losses arising from post-sale leaseback transactions	

(3) Our company as the lessor

① Operating lease

Rental income

Item	Amount
Rental Income	0.00
Among them: Variable lease payment related income not included in the measurement of lease receipts	0.00

## 3. Other Events

(1) Dispute over Sales Contract of Hainan Garden Lane Flight Hotel Management Co., Ltd. Dongguan Tanglayaxiu Branch

Hainan Garden Lane Flight Hotel Co., Ltd. Dongguan Tanglayaxiu Branch (referred to as Dongguan Branch) has received a subpoena from the First People's Court of Dongguan City [(2024) Yue 1971 Civil Procedure Investigation No. 22]. Due to a dispute over the sales contract, the Dalingshan Niu Ziyuan Frozen Meat Business Department of Dongguan City has filed a lawsuit, First, requesting that the three defendants be ordered to pay the plaintiff a payment of RMB1,032,577.35. The second is to request to order the three defendants to pay the plaintiff overdue payment losses (based on RMB1,032,577.35, calculated from the day after the last delivery date, January 1, 2023, at 1.5 times the loan market quoted interest rate published by the National Interbank Funding Center, until the date of full payment of the goods, temporarily calculated until

December 5, 2023, totaling RMB51,335.35). The third is to request to order the three defendants to bear the litigation costs of this case (case acceptance fees, preservation application fees, etc.). (The above total is RMB1,083,912.70 temporarily). The court hearing is scheduled for April 26, 2024.

On December 31 2023, Hainan Garden Lane Flight Hotel Co., Ltd. Dongguan Tanglayaxiu Branch had a payable amount of RMB1,032,577.35 to and from the Dalingshan Niu Ziyuan Frozen Meat Business Department in Dongguan City.

The first instance of the case was held on April 26 2024 and the court is currently hearing it. As of the date of this report, there have been no other changes in the above-mentioned litigation.

**(2) Case of Dispute over False Statements in the Securities Market between Natural Person Wang Juan and Northeast Electric Development Co., Ltd.**

On January 12 2024, the company received the notice of appearance (2023) Qiong 96 Min Chu 947 and relevant litigation materials such as the civil complaint from the First Intermediate People's Court of Hainan Province (hereinafter referred to as the "Court") forwarded by the lawyer. The court scheduled the first instance hearing for January 18 2024. Lawsuit request: 1. Order the defendant Northeast Electric to make new reports for the years 2020, 2021 and 2022; 2. Order the defendant Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) to issue new audit reports for the years 2020 and 2021; 3. The litigation costs of this case shall be borne by the two defendants.

The Hainan Provincial First Intermediate People's Court held a court hearing on January 18 2024 to hear this case. On April 26, the Hainan Provincial First Intermediate People's Court issued a civil judgment (2023) Qiong 96 Min Chu 947, rejecting all of the plaintiff Wang Juan's claims.

The plaintiff subsequently filed an appeal, and on July 23, the case was heard in the second instance by the Hainan Provincial High Court. On August 19, the Hainan Provincial High Court issued Civil Judgment No. (2024) Qiongminzhong 313, rejecting the appeal and upholding the original judgment. This judgment is the final ruling. According to the second instance judgment of the court mentioned above, Northeast Electric is not liable.

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

#### 1. Accounts receivable

##### (1) Accounts receivable measured at amortized cost

Unit:RMB

Item	Balance at end of year			Balance at beginning of year		
	Carrying amount	Provision for bad debt	Book value	Carrying amount	Provision for bad	Book value
Accounts receivable	1,423,911.79	1,423,911.79		1,423,911.79	1,423,911.79	
Total	1,423,911.79	1,423,911.79		1,423,911.79	1,423,911.79	

##### (2) Provision for bad debt

Our company measures loss provisions for accounts receivable, regardless of whether there is a significant financing component, based on the expected credit loss for the entire duration.

① On June 30, 2024, the provision for bad debts in the portfolio:

Combination - Accounts Receivable from External Customers

Unit:RMB

Item	Carrying amount	Expected credit loss rate for the entire duration (%)	Provision for bad debt
Within 1 year (including 1 year)			
1 to 2 years			
2 to 3 years			
over 3 years	1,423,911.79	100	1,423,911.79
<b>Total</b>	<b>1,423,911.79</b>	<b>100</b>	<b>1,423,911.79</b>

② Changes in bad debt provision

Item	Balance at beginning of year	Provision	Decrease in this period			Balance at end of year
			Recoveries or reversals	Write-off	Other changes	
Accounts receivable	1,423,911.79					1,423,911.79

③The top five ending balances collected by debtor:

Unit	Balance at end of year	Aging	Proportion of total accounts receivable at the end of the period (%)	Combine the two to calculate the ending balance of bad debt provision
Yingkou Chongzheng Electrical Equipment Co., Ltd.	842,551.00	over 5 years	59.17	842,551.00
Shenyang Kaidi Insulation Technology Co., Ltd.	401,960.79	over 5 years	28.23	401,960.79
Aksu Electric Power Co., Ltd. Power Switch Plant	65,000.00	over 5 years	4.56	65,000.00
Harbin Binzhou Electric Appliance Co., Ltd.	34,000.00	over 5 years	2.39	34,000.00
Shanghai Huaming Power Equipment Co., Ltd.	20,000.00	over 5 years	1.40	20,000.00
<b>Total</b>	<b>1,363,511.79</b>		<b>95.76</b>	<b>1,363,511.79</b>

## 2. Other receivables

Unit:RMB

Item	Balance at end of year	Balance at beginning of year
Other receivables	143,922.83	4,183,583.42

### (1) Other receivables

Unit:RMB

Item	Balance at end of year			Balance at beginning of year		
	Carrying amount	Provision for bad debt	Book value	Carrying amount	Provision for bad debt	Book value
Other receivables	317,433,913.14	317,289,990.31	143,922.83	321,473,573.73	317,289,990.31	4,183,583.42

① Provision for bad debt

A. On June 30, 2024, the bad debt provisions for other receivables in the first stage are as follows:

Unit:RMB

Item	Carrying amount	Expected credit loss rate in the next 12 months%	Provision for bad debt	Reason
Separate provision:				
Related parties within the scope of consolidation	240,954,166.74	0.00	240,831,618.91	Expected irretrievable
HNA Group Finance Co., Ltd. (Interest)	91.14	100.00	91.14	Expected irretrievable
Lawsuit funds of Benxi Iron and Steel (Group) Co., Ltd	76,090,000.00	100.00	76,090,000.00	Expected irretrievable
Combination provision:				
Combination 1	389,655.26	99.97	368,280.26	Credit loss in the next 12 months
Combination 2				
<b>Total</b>	<b>317,433,913.14</b>		<b>317,289,990.31</b>	

② Change for Provision for bad debt

Unit:RMB

Provisions for bad debt	Phase I	Phase II	Phase III	Total
	Expected credit loss over the next 12 months	Lifetime expected credit losses (not credit impaired loans)	Lifetime expected credit losses (credit-impaired loans)	
Balance at beginning of year	241,199,899.17		76,090,091.14	317,289,990.31
Balance at beginning of year				
— Transferred to Phase I				
— Transferred to Phase II				
— Transferred to Phase III				
Provision for the year				
Reversal for the year				
Written-off for the year				
Charge off for the year				
Other changes				
<b>Balance at end of year</b>	<b>241,199,899.17</b>		<b>76,090,091.14</b>	<b>317,289,990.31</b>

## ③ Classified by nature of payment

Unit:RMB

Nature of the amount	Balance at end of year	Balance at beginning of year
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	76,090,000.00	76,090,000.00
Deposits and deposits	240,954,166.74	244,993,827.33
Current payments and others	389,746.40	389,746.40
<b>Total</b>	<b>317,433,913.14</b>	<b>321,473,573.73</b>
Subtract: Provisions for bad debt	317,289,990.31	317,289,990.31
<b>Total</b>	<b>143,922.83</b>	<b>4,183,583.42</b>

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

Unit:RMB

Name of Company	Is it a related party	Nature of accounts	Balance at end of year	Aging	Proportion of the total balance of other receivables at the end of the year (%)	Balance of provision for bad debt at the end of the year
Hainan Garden Lane Flight Hotel Management Co., Ltd.	YES	Accounts receivable (already sued)	110,103,429.95	over 5 years	34.69	110,103,429.95
Great Talent Technology Limited	YES	Accounts receivable	79,298,247.36	over 5 years	24.98	79,298,247.36
Litigation from Benxi Iron & Steel (Group) Co., Ltd.	NO	Accounts receivable	76,090,000.00	over 5 years	23.97	76,090,000.00
Shenyang Kaiyi Electric Co., Ltd.	YES	Accounts receivable	44,929,366.70	1 to 5 years	14.15	44,220,084.14
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	YES	Accounts receivable	6,229,207.28	1 to 5 years	1.96	6,200,175.78
<b>Total</b>			<b>316,650,251.29</b>		<b>99.75</b>	<b>315,911,937.23</b>

### 3. Long-term equity investments

#### (1) Classification

Unit:RMB

Item	Balance at end of year			Balance at beginning of year		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investment in subsidiaries	173,305,837.52	116,869,364.49	56,436,473.03	173,305,837.52	116,869,364.49	56,436,473.03
<b>Total</b>	<b>173,305,837.52</b>	<b>116,869,364.49</b>	<b>56,436,473.03</b>	<b>173,305,837.52</b>	<b>116,869,364.49</b>	<b>56,436,473.03</b>

#### (2) Investment in subsidiaries

Unit:RMB

Investee	Balance at beginning of year	Increment	Decrement	Balance at end of year	Provision for impairment this year	Balance of provision for impairment at the end of the year
Northeast Electric Development (HK) Co., Ltd.	156,699,451.63			156,699,451.63		102,942,450.54
Shenyang Kaiyi Electric Co., Ltd.	100,000.00			100,000.00		100,000.00
Great Talent Technology Limited Subsidiary Investment	16,506,385.89			16,506,385.89		13,826,913.95
<b>Total</b>	<b>173,305,837.52</b>			<b>173,305,837.52</b>		<b>116,869,364.49</b>



## XIV. Information

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

Item	Amount	Remarks
Profit or loss on disposal of non-current assets	9,128,100. 27	
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)		
Fund appropriation fees charged on non-financial enterprise taken into profit or loss for the period		
Revenue generated when cost of investment is less than fair value of identifiable net assets acquired when acquiring subsidiary, associates, or joint venture		
Profit or loss of non-monetary asset swap		
Profit or loss from entrusting third party to invest or manage asset		
Provision for impairment on assets due to force majeure, such as natural disaster		
Profit or loss on debt restructuring		
Expenses on reorganization of enterprise, such as settlement expense for employees and combination expenses		
Profit or loss over difference between fair value and inappropriate transaction price		
Net profit or loss arising from business combination under common control in relation to the period from the beginning of the year to the date of combination		
Profit or loss by contingent events non-related to normal business of the Group		
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	111,096.4 3	
Other items complying with definitions of extraordinary profit or loss		
<b>Subtotal</b>	<b>9,239,196. 70</b>	
Amount of impact on income tax		
Impact on minority interests (after tax)		

Item	Amount	Remarks
<b>Total</b>	<b>9,239,196. 70</b>	

## 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		0.004	-0.01
Net profit attributable to ordinary shareholders after deduction of extraordinary profit or loss		0.004	-0.01

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

## **Chapter 10 DOCUMENTS AVAILABLE FOR INSPECTION**

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



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

地址：海南省海口市美蘭區國興大道3號  
互聯網金融大廈35層

網址：[www.nee.com.cn](http://www.nee.com.cn)

電郵：[dbdqdsbgs@hnagroup.com](mailto:dbdqdsbgs@hnagroup.com)

電話：(86) 0898-65315679

傳真：(86) 0898-65315679

郵編：570203

Address：35th Internet Finance Building, No.3 Guoxing Avenue, Meilan District,  
Haikou City, Hainan Province

Website：[www.nee.com.cn](http://www.nee.com.cn)

E-mail：[dbdqdsbgs@hnagroup.com](mailto:dbdqdsbgs@hnagroup.com)

Tel：(86) 0898-65315679

Fax：(86) 0898-65315679

Zip：570203