NEE

INTERIM REPORT 2019

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

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, Zhu Jie, Chief Financial Officer, Wang Kai and Chief Accounting Officer, Xing Liwen hereby represent: guaranteeing the truthfulness, accurateness and integrity of the financial reports in the interim report.

1.3 This report has been considered and approved by the seventh meeting of the 9th Board convened on 29 August 2019. 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 2019 in accordance with PRC GAAP. The audit committee of the Board of the Company has reviewed and confirmed the Company's interim results report for 2019. 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 2019.

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

1.6 This report is published in both Chinese and English. If there are any inconsistencies in content, the Chinese version shall prevail in all aspects.

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

Chapter 2 CORPORATE PROFILE

2.1 Basic information

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

2.2 Contact person and contact information

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

2.3 Additional information

Registered address	Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No.266 Nanhai Avenue, Haikou City, Hainan Province
Postal code	571152
Office address	22nd Floor, HNA Plaza, No.7 Guoxing Road, Meilan District, Haikou City, Hainan Province
Postal Code	570203
Website	www.nee.com.cn
E-mail address	dbdqdshbgs@hnair.com

Chapter 3 PRINCIPAL FINANCIAL DATA AND INDICATORS

	The reporting period	The same period of last year	Increase/decrease in the reporting period compared with the same period of last year
Operating incomes (RMB)	45,163,758.53	14,296,160.44	215.92%
Net profits attributable to shareholders of the listed company (RMB)	-3,924,330.74	-14,119,432.82	N/A
Net profits attributable to shareholders of the listed company after extraordinary items (RMB)	-3,924,330.74	-17,513,717.49	N/A
Net cash flows arising from operating activities (RMB)	-2,091,919.29	-5,163,724.31	N/A
Basic earnings per share (RMB/Share)	-0.0045	-0.0162	N/A
Diluted earnings per share (RMB/Share)	-0.0045	-0.0162	N/A
Weighted average return on net assets	-50.24%	-6.65%	N/A
	As at the end of the reporting period	**As at the end of last year**	**Increase/decrease in the reporting period compared with the end of last year**
Total assets (RMB)	540,639,229.61	505,113,480.52	7.03%
Net assets attributable to shareholders of the listed company (RMB)	13,055,892.89	8,619,218.15	51.47%

Description of differences in figures under domestic and foreign accounting standards:

There are no differences in net profits and net assets prepared under PRC GAAP and HKFRS or International Accounting Standards.

Chapter 4 CHANGES IN SHARES AND SHAREHOLDER INFORMATION

4.1 Changes in shares

Unit: Share

	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 common shareholders at the end of the reporting period	62,187	Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any) (see Note 8)	0

Shareholdings of common shareholders holding more than 5% of the total share capital or the top ten common 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	Shares pledged or frozen: Number
HKSCC Nominees Limited	Overseas legal person	29.43%	257,047,899	0	0	257,047,899		
Beijing Haihongyuan Investment Management Co., Ltd.	Domestic non-state-owned legal person	9.33%	81,494,850	0	0	81,494,850	Pledged	81,494,850
Nanjing FangKai Enterprise Management Co., Ltd.	Domestic non-state-owned legal person	1.24%	10,826,001	3,473,901	0	10,826,001		
Fu Lianjun	Domestic natural person	0.56%	4,860,689	2,476,000	0	4,860,689		
Liang Liusheng	Domestic natural person	0.43%	3,781,700	1,067,800	0	3,781,700		
Shi Yubo	Domestic natural person	0.41%	3,560,000	0	0	3,560,000		
Shenzhen Zhongda Software Development Co., Ltd.	Domestic non-state-owned legal person	0.41%	3,550,000	0	3,550,000	0		
Chen Xiru	Domestic natural person	0.40%	3,450,000		0	3,450,000		
Wan Jinchun	Domestic natural person	0.36%	3,150,151	270,951	0	3,150,151		
Xu Kaidong	Domestic natural person	0.28%	2,432,059	0	0	2,432,059		

Strategic investor or ordinary legal person becoming a top ten common shareholder after placing of new shares (if any)	Nil
Explanation on the connected relationship and concerted action of the above shareholders	So far as the Company is aware, there is no connected relationship among the above shareholders or are parties acting in concert as required in "Measures for the Administration of the Takeover of Listed Companies".

<table>
<tr><td colspan="4">Shareholdings of the top ten holders of ordinary shares not subject to trading moratorium</td></tr>
<tr><th rowspan="2">Name of shareholder</th><th rowspan="2">Number of ordinary shares held not subject to trading moratorium at the end of the reporting period</th><th colspan="2">Class of shares</th></tr>
<tr><th>Class of shares</th><th>Number</th></tr>
<tr><td>HKSCC Nominees Limited</td><td>257,047,899</td><td>Overseas listed foreign shares</td><td>257,047,899</td></tr>
<tr><td>Beijing Haihongyuan Investment Management Co., Ltd.</td><td>81,494,850</td><td>RMB ordinary shares</td><td>81,494,850</td></tr>
<tr><td>Nanjing FangKai Enterprise Management Co., Ltd.</td><td>10,826,001</td><td>RMB ordinary shares</td><td>10,826,001</td></tr>
<tr><td>Fu Lianjun</td><td>4,860,689</td><td>RMB ordinary shares</td><td>4,860,689</td></tr>
<tr><td>Liang Liusheng</td><td>3,781,700</td><td>RMB ordinary shares</td><td>3,781,700</td></tr>
<tr><td>Shi Yubo</td><td>3,560,000</td><td>RMB ordinary shares</td><td>3,560,000</td></tr>
<tr><td>Chen Xiru</td><td>3,450,000</td><td>RMB ordinary shares</td><td>3,450,000</td></tr>
<tr><td>Wan Jinchun</td><td>3,150,151</td><td>RMB ordinary shares</td><td>3,150,151</td></tr>
<tr><td>Xu Kaidong</td><td>2,432,059</td><td>RMB ordinary shares</td><td>2,432,059</td></tr>
<tr><td>MORGAN STANLEY & CO. INTERNATIONAL PLC.</td><td>2,391,100</td><td>RMB ordinary shares</td><td>2,391,100</td></tr>
<tr><td>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 common shareholders</td><td colspan="3">So far as the Company is aware, there is no connected relationship among the top ten holders of ordinary shares not subject to trading moratorium or between them and the top ten common shareholders or are parties acting in concert as required in "Measures for the Administration of the Takeover of Listed Companies".</td></tr>
<tr><td>Explanation on the top ten common shareholders involved in securities margin trading business</td><td colspan="3">Among the above shareholders, Nanjing FangKai Enterprise Management Co., Ltd. holds 3,789,500 shares of the Company through credit transactions guarantee securities account and 7,036,501 shares through ordinary securities account, with 10,826,001 shares in total. Wan Jinchun holds 501,100 shares of the Company through credit transactions guarantee securities account and 2,649,051 shares through ordinary securities account, with 3,150,151 shares in total. Xu Kaidong holds 2,431,359 shares of the Company through credit transactions guarantee securities account and 700 shares through ordinary securities account, with 2,432,059 shares in total.</td></tr>
</table>

Note:

1. Based on the information that is publicly available to the Company 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 2019, 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 2019, the Company did not issue any convertible securities, options, warrants or any other similar right.

Chapter 5 PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Changes in shareholdings of directors, supervisors and senior management

There was no change in shareholdings during the reporting period.

5.2 Changes in directors, supervisors and senior management

Name	Position	Type	Date	Reason
Li Tie	Former Director, former Chairman	Resigned	19 August 2019	Work adjustment
Ma Yun	Director	Elected	11 March 2019	Operational needs
Fang Guangrong	Independent Director	Elected	11 March 2019	Operational needs
Qin Jianmin	Former Director	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Jin Wenhong	Former independent Director	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Lei Xiao	Former shareholder representative supervisor	Resigned	19 August 2019	Work adjustment
Wang Kai	Vice general manager, financial manager	Appointed	12 March 2019	Operational needs
Xiong Haocheng	Former vice general manager	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Xiao Xun	Former vice general manager, former financial manager	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office
Zhao Guogang	Former vice general manager, former risk control director	Resigned due to expiration of term of office	10 March 2019	Resigned due to expiration of term of office

5.3 Equity interest of directors, supervisors and senior management

Save as disclosed above and to the knowledge of the Directors, senior management and supervisors of the Company, as at 30 June 2019, none of the Directors, senior management and supervisors had any interests or short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken to have by such Directors, senior management and supervisors under provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” in Appendix X to the Listing Rules.

Chapter 6 MANAGEMENT DISCUSSION AND ANALYSIS

Business review in the first half of 2019

In the first half of 2019, global economic growth generally slowed down. The drivers of economic growth in America, Europe and Japan were insufficient, and the growth momentum of emerging economies was on a decline. Due to the lack of robust driving forces for major economies, rising geopolitical uncertainties, and serious disruption on the effective layout of global industry chain by the US unilateral trade protectionism, economic growth across the world was facing more uncertain external environment. In China, overall economy maintained stable. Economic operation is kept within a reasonable level by continuously carrying out the reform and opening up strategy and guaranteeing the implementation of all measures.

In the first half of this year, the machinery industry saw a steady development overall. Despite facing financial difficulties and great pressure by the machinery industry in 2019, catalysts still existed. It is preliminarily estimated that the economic operation will be relatively stable this year, with industrial added value reaching approximately 6%, and operating income, total profit and import and export trade maintaining an appropriate rate of growth.

The Company has 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 which are mainly applied to the power system field to enhance transmission capacity of the power transmission line, and support transmission of high power electric energy. Enclosed busbar plays an important role in the power system.

During the reporting period, the power transmission and distribution equipment industry in which the Company operates was affected by macro-economic structural adjustments, leading to relatively excessive industrial capacity and intense market competition. The Company faces increasing operational pressure. In the face of such a complex and difficult situation, all personnel of the Company adhered to the overall work plan, worked diligently to fulfill their duties, and strived to achieve breakthroughs. Under the leadership of the Board, the Company properly tackled various challenges, fully implemented the resolutions passed by the general meeting and the Board, optimized its industrial distribution, enhanced operation management, and steadily advanced various work activities.

During the reporting period, the operating income of the Company amounted to RMB45,163,800, representing a year-on-year increase of RMB30,867,600 or 215.92% compared with the same period of last year, mainly due to the hotel catering business independently developed being put into operation, which significantly improved the Company's revenue structure.

Major works during the reporting period are as follows:

(I) Risk warning on the removal of delisting for A shares

According to the Audit Report of Northeast Electric Development Co., Ltd. issued by Ruihua Certified Public Accountants (Special General Partnership) (Ruihua CPAs) on 28 March 2019 (Rui Hua Shen Zi [2019] No. 48190004), the Company recorded an operating income of RMB32,311,485.10, a net profit attributable to shareholders of the listed company of RMB14,596,076.43, and a net asset attributable to shareholders of the listed company of RMB8,619,218.15 in 2018. Meanwhile, considering that the net profit attributable to shareholders of the listed company after deducting non-recurring profit and loss in 2018 and in the first quarter of 2019 was negative, profitability of principal business was still weak. Shenzhen Stock Exchange gave the risk warning on the removal of delisting for A shares of the Company from the commencement of trading on 21 August 2019 and implemented other risk warnings.

(II) Disposal of major assets

To optimize the Company's asset structure, minimize the impairment loss of assets, and protect the interests of investors, the Board of the Company determined to dispose of the loss-making New Northeast Electric (Jinzhou) Power Capacitor Co., Ltd (the "NNE Jinzhou PC") on 17 September 2017, which was considered and approved by the Shenzhen Stock Exchange, Hong Kong Stock Exchange, and the second extraordinary general meeting of the Company for 2018. On 14 December 2018, the change of industrial and commercial registration in relation to the equity transfer was completed. The Company disclosed the Report for the Implementation of the Disposal of Major Assets, the Legal Opinions of Grandall Law Firm on the Implementation of the Disposal of Major Assets of the Company and the Independent Financial Advisers' Audit Opinions of Haitong Securities Co., Ltd. for the Implementation of the Disposal of Major Assets of the Company on 6 June 2019.

(III) Progress of material litigation

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

   On 31 July 2018, the Company received the civil judgment (Liao 01 Min Chu (2017) No. 430) issued by Liaoning Shenyang Municipal Intermediate People's Court (the "Shenyang Intermediate Court"). Shenyang Intermediate Court has given a first-instance judgment on the contract dispute between Shenyang Tiexi District State-owned Assets Supervision and Administration Bureau ("Tiexi SASAB") and the Company, Shenyang High Voltage Switchgear Co., Ltd., and New Northeast Electric (Shenyang) High Voltage Switchgear Co., Ltd. Shenyang Intermediate Court rejected the claim of the plaintiff Tiexi SASAB which requested the defendant – the Company to pay arrears of RMB28.53 million, interests and liquidated damages. The plaintiff Tiexi SASAB has appealed to Shenyang Intermediate Court during the appeal period. In the early December 2018, Liaoning Shenyang Municipal High People's Court accepted the appeal. On 8 May 2019, the case was tried in the second instance. On 21 August 2019, a civil order ((2018) Liao Min Zhong No. 1032) was issued by Liaoning Provincial Higher People's Court, stating that the findings of basic facts in the first-instance judgment were unclear and ruled as follows in accordance with Item 3, Paragraph 1 of Article 170 in the Civil Procedure Law of the People's Republic of China: The civil judgment (Liao 01 Min Chu (2017) No. 430) issued by Liaoning Shenyang Municipal Intermediate People's Court shall be abrogated. A retrial for this case shall be performed by Liaoning Shenyang Municipal Intermediate People's Court. For details, please see the announcement on 28 August 2019.

2. The legal proceeding involving Fuxin Enclosed Busbar Co., Ltd. (the "Fuxin Busbar"), a wholly-owned subsidiary of the Company.

   74.4% of the equity in New Northeast Electric (Shenyang) High-voltage Insulated Switchgears Co., Ltd. (formerly known as Shenyang Suntime 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 China Development Bank (Document (2008) Min Er Zhong Zi No.23) and under the coordination, Fuxin Busbar returned the Underlying Equity to Shenyang High Voltage Switchgear Co., Ltd. ("Shenyang HVS") free of charge, and completed the change of equity registration on 22 September 2008 as required by the local industrial and commercial administration. 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 NEE cannot be ascertained". Given the failure of Shenyang HVS to pay the outstanding equity transfer consideration of USD16 million constituted a breach of contract, the plaintiff Fuxin Busbar, in order to protect its interests, raised an litigation against the above 2 defendants, namely, Shenyang HVS and Northeast Electric, claiming for the return of the consideration for the transfer of Underlying Equity. The Higher People's Court of Hainan Province accepted the case on 30 November 2018, and published an announcement in connection with its service of documents such as pleadings to Shenyang HVS on 3 January 2019. The case was tried on 21 March 2019 and the written judgment of first instance was received on 20 May 2019. As the defendants did not appeal within the announcement period, a final ruling was achieved for the case, and NEE will not bear joint and several liability. See the Announcement dated on 22 August 2019 for details.

(IV) New issue of H shares

In order to raise funds, expand the shareholder base, and enhance the capital strength of the Company, on 5 April 2017, HNA Hospitality Group (Hong Kong) (the person acting in concert with Beijing Haihongyuan) signed the Subscription Agreement with the listed company, agreeing to purchase 155,830,000 new H shares to be allotted and issued by the Company, at the price of HKD2.40 per share.

Beijing Haihongyuan and its person acting in concert, HNA Hospitality Group (Hong Kong), are both subsidiaries of HNA Group Co., Ltd. The matter was approved at the 2nd Extraordinary General Meeting of 2017, Class Meeting of A Shareholders, and Class Meeting of H Shareholders and was submitted to domestic and foreign regulators for approval according to relevant procedures. Now the matter is under review by the International Cooperation Division of the CSRC.

(V) Expansion of new business

1. Catering service development of hotel public spaces

Remarkable results have been achieved for proactively promoting business transformation. Hainan Tangyuan Technology Co. LTD. (renamed as Hainan Garden Lane Flight Hotel Management Co. LTD., the "Garden Lane Hotel") a wholly-owned subsidiary of the Company, entered into a three-year lease agreement with eight hotels controlled by related parties to develop hotel related business individually, which has been considered and approved by the 3rd Extraordinary General Meeting of 2018 on 29 October 2018. The relevant business has been gradually implemented since February 2019, and the business has been in operation substantially. An additional income of approximately RMB28.9 million has been recorded in the first half of 2019.

2. Expansion of after-sales repair services of busbar products

Fuxin Busbar provides after-sales services of repair and maintenance for busbar products to increase service income and improve profitability by taking advantage of customer resources of existing power stations.

Analysis of Main 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 in recent years. Our main products are enclosed busbars which are mainly applied to the power system field to enhance transmission efficiency of the power transmission line and support transmission of the high power electric energy. Enclosed busbar plays an important role in the power system. Besides, the hotel catering business independently developed by a subsidiary had been in operation during the reporting period, which significantly improved the Company's revenue structure.

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

6.2 Analysis on changes in major financial information

Unit: RMB

	The reporting period	The same period of last year	Increase/ decrease compared with the same period of last year	Reason for increase/decrease
Operating incomes	45,163,758.53	14,296,160.44	215.92%	Mainly from catering services revenue of newly-added hotel public spaces
Operating costs	21,417,642.83	12,156,795.16	76.18%	Mainly from catering services cost of newly-added hotel public spaces
Selling expenses	17,393,737.95	1,897,146.53	816.84%	Mainly from selling expenses of catering services (including labour costs and venue rental) of newly-added hotel public spaces
Administrative expenses	11,127,965.17	16,549,369.69	-32.76%	Mainly attributable to the stripping of loss-making business of our subsidiary and the strict control over administrative expenses
Financial expenses	-908,599.98	363,263.42	-350.12%	The interest on deposits of monetary capital rise significantly as compared with the same period
Income tax expenses	520,173.40	0.00	N/A	Mainly attributable to the profits from Garden Lane Hotel
Net cash flow from operating activities	-2,091,919.29	-5,163,724.31	-40.51%	Mainly attributable to a year-on-year decrease in the loss on operating profit
Net cash flow from investing activities	-160,513.12	163,504.28	-198.17%	Equipment purchase in the current year
Net cash flow from financing activities	-2,186,838.29	-20,745.19	10,541.42%	Additional expenses from leased premises in the current period, recognized into cash outflows from financing activities based on Lease Criteria
Net increase of cash and cash equivalents	-4,438,175.88	-5,017,734.77	-11.55%	Combined effect of all the above factors

Explanation:

The Company's enclosed busbar business reduced losses during the reporting period. Meanwhile, the Company developed its own hotel-related business which began to launch step by step since February 2019. Seven subsidiaries under Garden Lane Hotel have been put into operation, with additional revenue of RMB28.9 million from hotel catering services in the first half of 2019 and have gain profits during the reporting period.

6.3 Main business composition

Unit: RMB

	Operating incomes	Operating costs	Gross margin	Increase/ decrease in operating incomes compared with the same period of last year	Increase/ decrease in operating costs compared with the same period of last year	Increase/ decrease in gross margin compared with the same period of last year
By industry						
Power transmission and transformation	16,259,273.32	10,077,951.70	38.02%	13.73%	-17.10%	23.06%
Catering services	28,904,485.21	11,339,691.13	60.77%	N/A	N/A	N/A
By product						
Enclosed busbars	16,259,273.32	10,077,951.70	38.02%	20.88%	-12.17%	23.33%
Catering services	28,904,485.21	11,339,691.13	60.77%	N/A	N/A	N/A
By region						
Northeast	13,580,663.74	5,761,200.72	57.58%	214.95%	77.87%	32.69%
North China	5,020,698.81	2,009,182.61	59.98%	7,319.53%	3,894.61%	34.31%
South China	12,203,522.16	4,098,748.59	66.41%	1,537.04%	1,178.92%	9.40%
Central	1,186,293.10	856,954.92	27.76%	658.79%	626.48%	3.21%
Northwest	10,005,201.89	7,210,493.75	27.93%	60.51%	16.51%	27.21%
Southwest	3,167,378.83	1,481,062.24	53.24%	723.20%	471.46%	20.60%

6.4 Significant changes in composition of assets

Unit: RMB

	As at the end of the reporting period		As at the end of the same period of last year			
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)	Increase/ decrease (%)	Explanation for significant change
Monetary fund	140,874,668.42	26.06%	40,527,885.96	13.76%	12.30%	Mainly attributable to receipt of consideration for sale of the subsidiary
Account receivables	30,517,139.65	5.64%	21,389,237.83	7.26%	-1.62%	Increased accordingly with the development of new business
Inventories	13,179,608.97	2.44%	7,655,335.53	2.60%	-0.16%	Increased accordingly with the development of new business
Long-term equity investments	22,484,598.52	4.16%	19,607,563.41	6.66%	-2.50%	
Fixed assets	49,711,031.80	9.19%	13,168,325.10	4.47%	4.72%	Due to the reclassification to fixed assets in the second half of last year as a result of the relocation of Fuxin Busbar
Construction in progress	1,675,213.67	0.31%	37,848,975.31	12.85%	-12.54%	Due to the reclassification to fixed assets in the second half of last year as a result of the relocation of Fuxin Busbar
Short-term borrowings	4,500,000.00	0.83%			0.83%	New loans of Fuxin Busbar at the end of 2018

6.5 Assets and liabilities measured at fair value

Unit: RMB

Item	Amount at the beginning of the period	Gain/loss on changes in fair value for the current period	Cumulative changes in fair value recorded in equity	Impairment for the current period	Purchase in the current period	Sale in the current period	Amount at the end of the period
Financial assets							
Other equity investments	230,996,496.87						230,996,496.87
Total	230,996,496.87						230,996,496.87
Financial liabilities	0.00						0.00

6.6 Restricted assets as at the end of the reporting period

Item	Book value at the end of the year	Reasons for restriction
Monetary fund – other monetary funds	5,588,506.07	Performance guarantee
Fixed assets – buildings	14,018,221.48	Mortgage loan
Intangible assets – land use right	12,606,290.23	Mortgage loan
Total	32,213,017.78	

6.7 Disposal of major assets

Details of disposal of major assets are set forth in "(II) Disposal of Major Assets – Business Review in the First Half of 2019".

6.8 Analysis of major controlling company and invested company

Unit: RMB

Company name	Company type	Principal business	Registered capital	Total asset	Net asset	Operating income	Operating profit	Net profit
Northeast Electric Development (HK) Co., Ltd.	Subsidiary	Trading	USD20 million	71,427,074.18	56,439,125.67		-38,781.38	-38,781.38
Gaocai Technology Co., Ltd.	Subsidiary	Investment	USD1	83,173,280.03	4,864,815.08		-6,992.89	-6,992.89
Shenyang Kaiyi Electric Co., Ltd.	Subsidiary	E electrical equipment	RMB1 million	54,103,261.28	-11,504,953.12		-2,705.79	-2,705.79
Fuxin Enclosed Busbar Co., Ltd.	Subsidiary	Enclosed busbars	USD8.5 million	144,623,028.49	6,745,759.70	16,259,273.32	176,993.06	147,926.30
Hainan Tangyuan Technology Co., Ltd. (renamed as "Hainan Garden Lane Flight Hotel Management Co. LTD.(海南逸唐飛行酒店管理有限公司)")	Subsidiary	Public space business	RMB50 million	375,651,176.45	202,261,115.25	28,904,485.21	2,502,136.61	1,888,335.62
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	Subsidiary	Electric power engineering	RMB10 million	13,389,946.64	7,018,987.77		-69,617.71	-69,617.71

6.9 Risks faced by the Company and measures

1. Market risks in macro-economic environment

The industry in which the Company operates is closely connected with the demands of power equipment industry. The prosperity of the industry is also directly pegged with the national economy. Given their significant impact on the Company, we will keep focusing on the impact of industry policies, the national macro economy and the global economy on the industry.

2. Risk of market competition

Enclosed busbars produced by the Company is the major income source of its principal activities. Intensifying market competition, such as mutual crackdown, price war, etc., creates an adverse impact on the average profit margin of the industry. The Company will continue to improve its technology, develop new products, strengthen innovation ability, scale up production, and enhance the efficiency of operation and management, along with efforts to prevent steady decrease in operating income, gross margin of products and profitability.

3. Risk of strategic transformation

To ensure the sustainable development of the Company in the mid and long term, the Company is seeking for strategic transformation by tapping into prospective sectors. The Company may have the risk of strategic transformation slippage, and even failure, provided that transformation is not carried out for various reasons. The Company will actively promote the related work, while developing relevant businesses to realize strategic transformation gradually through various methods.

6.10 Prospects for the second half of the year

Centered on the annual business objectives and work tasks for 2019, the Company's management will strive to achieve business transformation and breakthrough at the operating level by enhancing the operation efficiency and core competitiveness. For details, please see "Prospect of Future Development" set out in the Annual Report 2018. 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.

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

Working capital and financial resources

The net cash generated from the Group's operating activities for the half year ended 30 June 2019 was approximately RMB-2,091,919.29 (for the half year ended 30 June 2018: net cash generated from operating activities was approximately RMB-5,163,724.31).

As at 30 June 2019, the Group had bank deposits and cash of approximately RMB140,874,668.42 (31 December 2018: RMB145,725,658.23) and bank loans of RMB4,500,000 (31 December 2018: RMB4,500,000).

As of 30 June 2019, the Group had current liabilities of RMB410,808,973.82, non-current liabilities of RMB111,276,507.08, and shareholders' equity attributable to shareholders of the Company of RMB13,055,892.89.

The Group'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 from substantial shareholders.

As at 30 June 2019, the Group's short-term bank borrowings amounted to RMB4,500,000, and the cash and cash equivalents were RMB140,874,668.42 (31 December 2018: RMB145,725,658.23). Borrowings bear fixed interest rate, and no hedging instruments are hedged.

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

Outlook

Details of the outlook are set out in “Prospects for the second half of the year” of “Management Discussion and Analysis”.

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 “Management Discussion and Analysis”.

Significant investments and sales

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

Segmental information of results

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

Assets pledge

Details of assets pledge are set out in the “Restricted assets as at the end of the reporting period” section of the “Management Discussion and Analysis”.

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 2019, the Group's gearing ratio (calculated as total liabilities/total assets) was 96% (31 December 2018: 95%).

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, 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 2019, the Company had no material contingent liabilities.

Chapter 7 SIGNIFICANT EVENTS

7.1 Personnel changes

Details of personnel changes are set forth in “Profiles of Directors, Supervisors and Senior Management” of Chapter 5.

7.2 Staff of the Company and remuneration policy

As at 30 June 2019, the number of employees on the payroll of the company was 155, compared with 167 by the end of 2018. 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.

7.3 Corporate governance structure

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

7.4 Profit distribution plan and its implementation

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

7.5 Commitments performed during the reporting period and not yet performed as of the end of the reporting period by 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 De Facto controller, shareholders, connected parties, acquirers of the Company and the Company during the reporting period.

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

NEE has engaged Ruihua Certified Public Accountants (Special General Partnership) as the auditor of the Company for the year of 2018. Ruihua Certified Public Accountants (Special General Partnership) issued an unqualified audit report for the Company's financial report for the year 2018 with paragraphs describing emphasized events.

I. Matters Relating to the Audit Opinion

Northeast Electric's net loss after deduction of non-recurring gains and losses in 2018 was RMB39,445,995.65, and as of 31 December 2018, Northeast Electric's current liabilities exceeded its current assets by RMB217,093,262.12. Meanwhile, the Company faced a compensation of RMB272 million for resolved litigation cases. These matters indicate there are major uncertainties regarding the Company as a going concern, however, without any effect on the published audit opinions.

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

The Board of Directors holds that the above audit opinion objectively and truthfully reflects the financial position of the Company and its risks as a going concern. The Company issued the "Detailed Explanation Given by the Board of Directors on Matters Relating to the Non-standard Audit Opinion", "The Opinions of Independent Directors on Matters Relating to the Non-standard Audit Opinion" and "Detailed Explanation Given by the Supervisory Committee on Matters Relating to the Non-standard Audit Opinion" after its 2018 financial report was issued.

In the face of the current market and business environment of the Company, the Board of Directors urged the Company's management to integrate the Company's resources, actively change the business development ideas, and seek industrial restructuring. During the reporting period, the Company maintained stable operations, and various tasks were being effectively implemented. The Company's asset quality was gradually improved, the hotel catering services independently developed by its subsidiary were under operation and management, and its ability to continue operations is qualified during the reporting period.

7.7 Litigation

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

   Details of dispute on allowance for staff are set forth in "(III) Progress of Material Litigation – Business Review in the First Half of 2019".

2. The legal proceedings involving Fuxin Enclosed Busbar Co., Ltd. (the "Fuxin Busbar"), a wholly-owned subsidiary of the Company

   Details of the litigation are set forth in "(III) Progress of Material Litigation – Business Review in the First Half of 2019".

3. The litigation brought by China Development Bank

   The Supreme People's Court issued an enforcement order ((2017) SPC Enforcement Reply No.27) in August 2017 to reject the reconsideration request made by Northeast Electric and affirm the enforcement order of NHC (2015) Gao Zhi Yi Zi No.52. The enforcement order was final. The case was transferred to the First Intermediate People's Court of Hainan Province on 21 June 2019. The ruling of the case is being implemented and no actual performance has been carried out.

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

   The Company received the Notice of Appearance [(2019) Qiong 96 Min Chu No.381] on adjudicating Northeast Electric as a person subject to enforcement by Fushun Electric Porcelain, the bill of indictment, and other related litigation materials served by the First Intermediate People's Court of Hainan Province on 16 July 2019. At present, relevant departments are preparing for relevant evidence to actively respond to the litigation. As the lawsuit has not yet been heard and the final judgment of the court has not been reached, so the negative impact on the Company's current profits or subsequent profits cannot be determined for the time being. For more details, please refer to the announcement dated 23 July 2019.

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

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

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

7.9 Material connected transactions

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

7.10 Controlling shareholders and their connected parties' use of capital of the listed company for non-operating purpose

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

7.11 Significant contracts and their execution

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

7.12 Guarantees

As at the end of the reporting period, the actual balance of the external guarantee provided by the Company totaled RMB30.15 million, representing 230.93% of the net assets (absolute value) of the Company by the end of the reporting period. The guarantee company of the Company was Jinzhou Power Capacitors Co., Ltd.

7.13 Corporate governance

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

Code Provision E.1.2 stipulates that the chairman of a board of directors shall attend the annual general meeting.

For more details on the implementation, please refer to the Corporate Governance Report disclosed in the Annual Report 2018. After the issuance of the annual report, the compliance and execution of the Code by the listed issuer remained unchanged.

7.14 Model Code for Securities Transactions by Directors

The Company takes the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") under the Listing Rules of The Stock Exchange of Hong Kong Limited 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 Board of Directors has given written notices in advance to insiders (including the Company's directors, supervisors, senior management and controlling shareholders, de facto controllers as well as 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 insider purchase or sales the shares with inside information: no transactions of the company securities shall be carried out during the price-sensitive time within 30 days, a lock-up period from 29 July 2019 to 29 August 2019, prior to results report.

All directors confirmed that: During the reporting period, they 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 2018 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.

7.15 Others

Purchase, sale and 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 has 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 have any terms included in the loan agreements under which the controlling shareholder shall fulfil specific responsibilities.

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 affiliate companies

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

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 on 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 2019 were prepared by the Group in accordance with the PRC GAAP.

The audit committee under the Board of the Company has reviewed and confirmed the interim results of the Company for 2019.

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 2019.

7.16 Subsequent events

I. The Company convened the seventh meeting of the ninth Board on 29 August 2019, at which the following proposals on appointment and election of employees were considered and approved:

1. Mr. Zhu Jie was elected as the president of the Company.

2. Mr. Su Weiguo was appointed as the vice general manager of the Company, and he ceased to be the secretary to the Board.

3. Mr. Ding Jishi was appointed as the secretary to the Board of the Company, and he ceased to be the representative for securities affairs of the Company.

The tenure of the above-mentioned persons starts from the date of approval by the Board and ends at the expiry of the term of the ninth Board on 10 March 2022.

II. Name Change of the Subsidiary

Hainan Tangyuan Technology CO. LTD has completed the changes in industrial and commercial registration on 23 August 2019 and renamed as Hainan Garden Lane Flight Hotel Management Co. LTD. Please refer to the announcement on 27 August 2019 for further information.

Chapter 8 FINANCIAL STATEMENTS (PREPARED UNDER THE PRC GAAP)

1. CONSOLIDATED BALANCE SHEET

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Current assets:		
Cash and cash equivalents	140,874,668.42	145,725,658.23
Reserved deposits		
Loans to banks and other financial institutions		
Financial assets held for trading		
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	30,517,139.65	21,774,633.39
Receivables financing		
Prepayment	2,973,847.85	1,941,493.37
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Other receivables	5,828,062.70	3,063,837.30
Incl.: Interest receivable	1,100,000.00	
Dividends receivable		

1. CONSOLIDATED BALANCE SHEET *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Financial assets purchased under agreements to resell		
Inventories	13,179,608.97	9,588,337.76
Contract assets		
Assets held for sale		
Non-current asset due within 1 year		
Other current assets	796,655.49	1,039,590.89
Total current assets	**194,169,983.08**	**183,133,550.94**
Non-current assets:		
Loans and advances		
Debt investments		
Financial assets available for sale		
Other debt investments		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	22,484,598.52	22,484,598.52
Other equity instrument investments	230,996,496.87	230,996,496.87
Other non-current financial assets		
Investment in real estate		
Fixed assets	49,711,031.80	50,136,802.72

1. CONSOLIDATED BALANCE SHEET *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Construction in progress	1,675,213.67	2,803,418.80
Operational biological assets		
Oil and gas assets		
Right-of-use assets	26,099,100.00	
Intangible assets	14,852,265.55	15,029,136.13
Development expenditures		
Goodwill		
Long-term deferred expenses	650,540.12	529,476.54
Deferred income tax assets		
Other non-current assets		
Total non-current assets	**346,469,246.53**	**321,979,929.58**
Total assets	**540,639,229.61**	**505,113,480.52**
Current liabilities:		
Short-term borrowings	4,500,000.00	4,500,000.00
Borrowings from central bank		
Borrowings from banks and other financial institutions		
Financial liabilities held for trading		
Financial liabilities at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	21,144,604.05	12,221,771.06

1. CONSOLIDATED BALANCE SHEET *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Receipts in advance	5,670,082.47	2,637,043.59
Proceeds from sale of repurchased financial assets		
Deposits from customers and interbank		
Deposit for agency security transaction		
Deposit for agency security underwriting		
Employee compensation payable	1,209,124.77	1,554,344.98
Taxes payable	2,904,779.83	2,253,284.13
Other payables	375,380,382.70	377,060,369.30
Incl.: Interest payable		5,712.50
Dividends payable		
Fees and commissions payable		
Reinsurance accounts payable		
Contract liabilities		
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	**410,808,973.82**	**400,226,813.06**

1. CONSOLIDATED BALANCE SHEET *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Non-current liabilities:		
Provision for insurance contracts		
Long-term borrowings		
Bonds payable		
Incl.: Preferred shares		
Perpetual bonds		
Lease liabilities	28,750,127.56	
Long-term payables		
Long-term employee compensation payable		
Estimated liabilities	72,099,690.00	72,099,690.00
Deferred revenue	10,426,689.52	10,670,597.50
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**111,276,507.08**	**82,770,287.50**
Total liabilities	**522,085,480.90**	**482,997,100.56**

1. CONSOLIDATED BALANCE SHEET *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Owner's equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Incl.: Preferred shares		
Perpetual bonds		
Capital reserve	1,082,843,699.86	1,074,828,788.67
Less: Treasury stock		
Other comprehensive income	-28,666,402.92	-29,012,497.21
Special reserve		
Surplus reserve	108,587,124.40	108,587,124.40
Provision for general risk		
Retained profits	-2,023,078,528.45	-2,019,154,197.71
Total equity attributable to owners of parent company	**13,055,892.89**	**8,619,218.15**
Minority interests	**5,497,855.82**	**13,497,161.81**
Total owners' equity	**18,553,748.71**	**22,116,379.96**
Total liabilities and owners' equity	**540,639,229.61**	**505,113,480.52**

2. BALANCE SHEET OF PARENT COMPANY

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Current assets:		
Cash and cash equivalents	77,793.50	131,150.21
Financial assets held for trading		
Financial assets at fair value through current profit or loss		
Derivative financial assets		
Notes receivable		
Accounts receivable		
Receivables financing		
Prepayment	1,668,168.36	1,668,168.36
Other receivables	258,470,901.48	265,704,605.00
Incl.: Interest receivable		
Dividend receivable		
Inventories		
Contract assets		
Assets held for sale		
Non-current asset due within 1 year		
Other current assets	796,348.11	718,327.52

2. BALANCE SHEET OF PARENT COMPANY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Total current assets	**261,013,211.45**	**268,222,251.09**
Non-current assets:		
Debt investments		
Financial assets available for sale		
Other debt investments		
Held-to-maturity 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 in real estate		
Fixed assets	27,371.86	32,630.16
Construction in progress		
Operational biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets		
Development expenditures		
Goodwill		
Long-term deferred expenses	285,102.66	529,476.54
Deferred tax assets		
Other non-current assets		
Total non-current assets	**56,748,947.55**	**56,998,579.73**
Total assets	**317,762,159.00**	**325,220,830.82**

2. BALANCE SHEET OF PARENT COMPANY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Financial liabilities at fair value through current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable		
Advances from customers	581,743.59	581,743.59
Contract liabilities		
Employee compensation payable	399,773.79	472,797.28
Taxes payable	233,782.08	243,342.01
Other payables	335,179,321.60	337,056,335.75
Incl.: Interest payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	**336,394,621.06**	**338,354,218.63**

2. BALANCE SHEET OF PARENT COMPANY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Incl.: Preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term employee compensation payable		
Estimated liabilities	72,099,690.00	72,099,690.00
Deferred revenue		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**72,099,690.00**	**72,099,690.00**
Total liabilities	**408,494,311.06**	**410,453,908.63**

2. BALANCE SHEET OF PARENT COMPANY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	30 June 2019	31 December 2018
Owners' equity:		
Share capital	873,370,000.00	873,370,000.00
Other equity instruments		
Incl.: Preferred shares		
Perpetual bonds		
Capital reserve	995,721,167.46	995,721,167.46
Less: Treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserve	108,587,124.40	108,587,124.40
Retained profits	-2,068,410,443.92	-2,062,911,369.67
Total owners' equity	**-90,732,152.06**	**-85,233,077.81**
Total liabilities and owners' equity	**317,762,159.00**	**325,220,830.82**

3. CONSOLIDATED INCOME STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
I. Total operating income	45,163,758.53	14,296,160.44
Incl.: Operating income	45,163,758.53	14,296,160.44
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating cost	49,176,493.66	31,599,566.86
Incl.: Operating cost	21,417,642.83	12,156,795.16
Interest expense		
Fee and commission expense		
Surrender value		
Net payment of insurance claims		
Net provision of insurance reserve		
Premium bonus expenditures		
Reinsurance expenses		
Taxes & surcharges	582,834.93	632,992.06
Cost of sales	17,393,737.95	1,897,146.53
Administrative expenses	11,127,965.17	16,549,369.69
Research and development expenses		
Financial expenses	-908,599.98	363,263.42
Incl.: Interest expenses	632,355.00	337,360.63
Interest income	1,600,318.15	20,877.42

3. CONSOLIDATED INCOME STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
Add: Other income	243,907.98	
Investment income ("-" represents loss)		
Incl.: Investment income from associates and joint ventures		
Derecognition of income from financial assets at amortised cost ("-" represents loss)		
Foreign exchange gains ("-" represents loss)		
Net exposure hedge income("-" represents loss)		
Gains on the changes in fair value ("-" represents loss)		
Credit impairment loss ("-" represents loss)	830,784.80	
Loss on asset impairment ("-" represents loss)		-563,525.88
Gain on disposal of assets ("-" represents loss)		
III. Operational profit ("-" represents loss)	-3,375,129.59	-17,866,932.30
Add: Non-operating income	15,943.26	3,497,158.08
Less: Non-operating expenses	29,365.81	102,873.41
IV. Total profit ("-" represents total loss)	-3,388,552.14	-14,472,647.63
Less: Income tax expenses	520,173.40	

3. CONSOLIDATED INCOME STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
V. Net profit ("-" represents net loss)	-3,908,725.54	-14,472,647.63
A. Classified by business continuity		
1. Profit or loss from continuing operations ("-" represents net loss)	-3,908,725.54	-14,472,647.63
2. Net profit from discontinued operations ("-" represents net loss)		
B. Classified by ownership		
1. Net profit attributable to owners of the parent company	-3,924,330.74	-14,119,432.82
2. Net profit attributable to minority interests	15,605.20	-353,214.81
VI. Net other comprehensive income after tax	346,094.29	362,435.62
Net other comprehensive income attributable to owners of the parent company after tax	346,094.29	362,435.62
A. Other comprehensive income not reclassifiable to profit or loss		
1. Remeasurement of changes in defined benefit plans		
2. Other comprehensive income not reclassifiable to profit or loss under the equity method		
3. Changes in fair value of other equity instruments investment		
4. Changes in the fair value of the Company's own credit risk		
5. Others		

3. CONSOLIDATED INCOME STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
B. Other comprehensive income reclassifiable to profit or loss	346,094.29	362,435.62
1. Other comprehensive income reclassifiable to profit and loss under the equity method		
2. Changes in fair value of other debt investments		
3. Gain or loss on changes in fair value of financial assets available for sale		
4. Amount of financial assets reclassified into other comprehensive income		
5. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale		
6. Credit impairment provisions for other debt investments		
7. Cash flow hedge reserve		
8. Exchange difference on translation of foreign financial statements	346,094.29	362,435.62
9. Others		
Net other comprehensive income attributable to minority interests after tax		
VII. Total comprehensive income	-3,562,631.25	-14,110,212.01
Total comprehensive income attributable to owners of the parent company	-3,578,236.45	-13,756,997.20
Total comprehensive income attributable to the minority shareholders	15,605.20	-353,214.81
VIII. Earnings per share		
(I) Basic earnings per share	-0.0045	-0.0162
(II) Diluted earnings per share	-0.0045	-0.0162

4. INCOME STATEMENT OF PARENT COMPANY

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD.

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
I. Total operating income	0.00	0.00
Less: Operating cost	0.00	0.00
Taxes & surcharges		15.00
Cost of sales		
Administrative expenses	5,495,067.51	2,768,391.87
Research and development expenses		
Financial expenses	4,006.74	29.83
Incl.: Interest expenses		
Interest income	541.67	58.72
Add: Other income		
Investment income (“-” represents loss)		
Incl.: Investment income from associates and joint ventures		
Derecognition of income from financial assets at amortised cost (“-” represents loss)		
Net exposure hedge income (“-” represents loss)		
Gains on the changes in fair value (“-” represents loss)		
Credit impairment loss (“-” represents loss)		
Loss on asset impairment (“-” represents loss)		
Gain on disposal of assets (“-” represents loss)		

4. INCOME STATEMENT OF PARENT COMPANY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
II. Operational profit ("-" represents loss)	-5,499,074.25	-2,768,436.70
Add: Non-operating income		3,260,981.25
Less: Non-operating expenses		
III. Total profit ("-" represents total loss)	-5,499,074.25	492,544.55
Less: Income tax expenses		
IV. Net profit ("-" represents net loss)	-5,499,074.25	492,544.55
(I) Net profit from continuing operations ("-" represents net loss)	-5,499,074.25	492,544.55
(II) Net profit from discontinued operations ("-" represents net loss)		
V. Net other comprehensive income after tax		
A. Other comprehensive income not reclassifiable to profit or loss		
1. Remeasurement of changes in defined benefit plans		
2. Other comprehensive income not reclassifiable to profit or loss under the equity method		
3. Changes in fair value of other equity instruments investment		
4. Changes in the fair value of the Company's own credit risk		
5. Others		

4. INCOME STATEMENT OF PARENT COMPANY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
B. Other comprehensive income reclassifiable to profit or loss		
1. Other comprehensive income reclassifiable to profit and loss under the equity method		
2. Changes in fair value of other debt investments		
3. Gain or loss on changes in fair value of financial assets available for sale		
4. Amount of financial assets reclassified into other comprehensive income		
5. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale		
6. Credit impairment provisions for other debt investments		
7. Cash flow hedge reserve		
8. Exchange difference on translation of foreign financial statements		
9. Others		
VI. Total comprehensive income	-5,499,074.25	492,544.55
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. CONSOLIDATED CASH FLOW STATEMENT

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	38,986,746.98	23,105,995.20
Net increase in deposits from customers and interbank		
Net increase in borrowings from central bank		
Net increase in borrowings from other financial institutions		
Cash received from premiums under original insurance contracts		
Cash received from reinsurance business, net		
Net increase in policyholders' deposits and investment		
Cash from interests, fees and commissions		
Net increase in interbank borrowings		
Net increase in income from repurchase transactions		
Cash received from securities brokerage services, net		
Tax refunds received		
Cash received from other operating activities	14,822,608.85	59,776,955.15
Sub-total of cash inflows from operating activities	**53,809,355.83**	**82,882,950.35**

5. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
Cash paid to goods purchased and labor service received	17,595,768.96	13,914,755.03
Net increase in customers' loans and advances		
Net increase in deposits with central bank and inter-bank		
Cash paid for compensation payout under original insurance contracts		
Net increase in financial assets held for trading purposes		
Net increase in loans to banks and other financial institutions		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	11,062,378.49	10,172,007.36
Payments of taxes and surcharges	1,217,294.47	999,421.36
Cash payments to other operating activities	26,025,833.20	62,960,490.91
Sub-total of cash outflows for operating activities	**55,901,275.12**	**88,046,674.66**
Net cash flow from operating activities	**-2,091,919.29**	**-5,163,724.31**

5. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
II. Cash flow from investing activities:		
Cash from disinvestments		
Cash received from return of investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		390,000.00
Net cash received in disposal of subsidiaries and other operating units		
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities		**390,000.00**
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets	160,513.12	226,495.72
Cash paid for investment		
Net increase of mortgaged loans		
Net cash paid for subsidiaries and other operating units		
Cash payments to other investing activities		
Sub-total of cash outflows for investing activities	**160,513.12**	**226,495.72**
Net cash flow from investing activities	**-160,513.12**	**163,504.28**

5. CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Incl.: cash received by subsidiaries from minority shareholders		
Cash received from borrowings		
Cash received from bonds issued		
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for repayments of debts		
Cash paid for distribution of dividends, profits and interests	131,478.61	20,745.19
Incl.: Dividends and profits paid by subsidiaries to minority shareholders		
Cash payments to other financing activities	2,055,359.68	
Sub-total of cash outflows for financing activities	**2,186,838.29**	**20,745.19**
Net cash flow from financing activities	**-2,186,838.29**	**-20,745.19**
IV. Effect of changes in foreign currency rates on cash and cash equivalents	1,094.82	3,230.45
V. Net increase in cash and cash equivalents	-4,438,175.88	-5,017,734.77
Add: Balance of cash and cash equivalents at beginning of period	84,724,338.23	8,408,461.77
VI. Balance of cash and cash equivalents at end of period	80,286,162.35	3,390,727.00

6. CASH FLOW STATEMENT OF PARENT COMPANY

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services		
Tax refunds received		
Cash received from other operating activities	7,511,146.05	46,239,201.72
Sub-total of cash inflows from operating activities	**7,511,146.05**	**46,239,201.72**
Cash paid to goods purchased and labor service received		
Cash paid to and for employees	4,138,706.20	2,264,595.24
Payments of taxes and surcharges		1,677.30
Cash payments to other operating activities	3,425,100.17	43,980,519.78
Sub-total of cash outflows for operating activities	**7,563,806.37**	**46,246,792.32**
Net cash flow from operating activities	-52,660.32	-7,590.60
II. Cash flow from investing activities:		
Cash from disinvestments		
Cash received from return of investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received in disposal of subsidiaries and other operating units		
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities		

6. CASH FLOW STATEMENT OF PARENT COMPANY *(Continued)*

Prepared by: NORTHEAST ELECTRIC DEVELOPMENT CO., LTD

Unit: RMB

Items	Amount for the first half of 2019	Amount for the first half of 2018
Cash paid in purchase/construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investment		
Net cash paid for subsidiaries and other operating units		
Cash payments to other investing activities		
Sub-total of cash outflows for investing activities		
Net cash flow from investing activities		
III. Cash flow from financing activities:		
Cash received by absorbing investment		
Cash received from borrowings		
Cash received from bonds issued		
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for repayments of debts		
Cash paid for distribution of dividends, profits and interests		
Cash payments to other financing activities		
Sub-total of cash outflows for financing activities		
Net cash flow from financing activities		
IV. Effect of changes in foreign currency rates on cash and cash equivalents	-696.38	
V. Net increase of cash and cash equivalents	-53,356.70	-7,590.60
Add: Balance of cash and cash equivalents at beginning of period	131,150.21	20,119.58
VI. Balance of cash and cash equivalents at end of period	77,793.51	12,528.98

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount for the current period

Unit: RMB

Items	Amount for the first half of 2019														
	Equity attributable to shareholders of parent company														
		Other equity instruments													
	Share capital	Preferred	Perpetual	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained profits	Others	Subtotal	Minority interests	Total shareholders' equity
I. Balance at end of last year	873,370,000.00				1,074,828,788.67		-29,012,497.21		108,587,124.40		-2,019,154,197.71		8,619,218.15	13,497,161.81	22,116,379.96
Add: Changes in accounting policies															
Corrections to previous errors															
Effect of business combination under common control															
Others															
II. Balance at beginning of year	873,370,000.00				1,074,828,788.67		-29,012,497.21		108,587,124.40		-2,019,154,197.71		8,619,218.15	13,497,161.81	22,116,379.96
III. Changes in the current period ("-" represents loss)					8,014,911.19		346,094.29				-3,924,330.74		4,436,674.74	-7,996,816.08	-3,562,631.25
(I) Total comprehensive income							346,094.29				-3,924,330.74		-3,578,236.45	15,605.20	-3,562,631.25
(II) Increase/Decrease of capital from shareholders					8,014,911.19								8,014,911.19	-8,014,911.19	
1. Ordinary shares invested by shareholders															
2. Capital contributed by holders of other equity instrument															
3. Shares payment taken into shareholder's equity														-8,014,911.19	
4. Others					8,014,911.19										
(III) Distribution of profit															
1. Appropriation of surplus reserves															
2. Appropriation of general risk provision															
3. Distribution to shareholders															
4. Others															

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

Amount for the current period (Continued)

Unit: RMB

Items	Amount for the first half of 2019													
	Equity attributable to shareholders of parent company												Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained profits	Others	Subtotal		
		Preferred	Perpetual	Others											
(IV) Transfer within equity														
1. Transfer-in from capital reserves														
2. Transfer-in from surplus reserves														
3. Loss covered by surplus reserves														
4. Changes in defined benefit plan transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserves														
1. Appropriation of the special reserve														
2. Usage of the special reserves														
(VI) Others														
IV. Balance at end of Period	873,370,000.00				1,082,843,699.86		-28,666,402.92		108,587,124.40		-2,023,078,528.45		13,055,892.89	5,497,855.82	18,553,748.71

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

A mount for the previous period

Unit: RMB

Items	Amount for the first half of 2018														
	Equity attributable to shareholders of parent company													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained profits	Others	Subtotal		
		Preferred	Perpetual	Others											
I. Balance at end of last year	873,370,000.00				883,422,403.92		-29,869,066.75		108,587,124.40		-2,034,142,303.59		-198,631,842.02	3,990,824.31	-194,641,017.71
Add: Changes in accounting policies															
Corrections to previous errors															
Effect of business combination under common control															
Others															
II. Balance at beginning of year	873,370,000.00				883,422,403.92		-29,869,066.75		108,587,124.40		-2,034,142,303.59		-198,631,842.02	3,990,824.31	-194,641,017.71
III. Changes in the current period ("-" represents loss)							362,435.62				-14,119,432.82		-13,756,997.20	-353,214.81	-14,110,212.01
(I) Total comprehensive income							362,435.62				-14,119,432.82		-13,756,997.20	-353,214.81	-14,110,212.01
(II) Increase/Decrease of capital from shareholders															
1. Ordinary shares invested by shareholders															
2. Capital contributed by holders of other equity instrument															
3. Shares payment taken into shareholder's equity															
4. Others															
(III) Distribution of profit															
1. Appropriation of surplus reserves															
2. Appropriation of general risk provision															
3. Distribution to shareholders															
4. Others															

7. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

A mount for the previous period (Continued)

Unit: RMB

Items	Amount for the first half of 2018														
	Equity attributable to shareholders of parent company													Minority interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Retained profits	Others	Subtotal		
		Preferred	Perpetual	Others											
(IV) Transfer within equity															
1. Transfer-in from capital reserves															
2. Transfer-in from surplus reserves															
3. Loss covered by surplus reserves															
4. Changes in defined benefit plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(V) Special reserves															
1. Appropriation of the special reserve															
2. Usage of the special reserves															
(VI) Others															
IV. Balance at end of Period	873,370,000.00				883,422,403.92		-29,506,631.13		108,587,124.40		-2,048,261,736.41		-212,388,839.22	3,637,609.50	-208,751,229.72

8. STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Amount for the current period

Unit: RMB

Items	Amount for the first half of 2019										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Others	Total shareholders' equity
		Preferred	Perpetual	Others								
I. Balance at end of last year	873,370,000.00				995,721,167.46				108,587,124.40	-2,062,911,369.67		-85,233,077.81
Add: Changes in accounting policies												
Corrections to previous errors												
Others												
II. Balance at beginning of year	873,370,000.00				995,721,167.46				108,587,124.40	-2,062,911,369.67		-85,233,077.81
III. Changes in the current period ("-" represents loss)										-5,499,074.25		-5,499,074.25
(I) Total comprehensive income										-5,499,074.25		-5,499,074.25
(II) Increase/Decrease of capital from shareholders												
1. Ordinary shares invested by shareholders												
2. Capital contributed by holders of other equity instrument												
3. Shares payment taken into shareholder's equity												
4. Others												
(III) Distribution of profit												
1. Appropriation of surplus reserves												
2. Distribution to shareholders												
3. Others												

8. STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY *(Continued)*

Amount for the current period (Continued)

Unit: RMB

Items	Amount for the first half of 2019										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Others	Total shareholders' equity
		Preferred	Perpetual	Others								
(IV) Transfer within equity												
1. Transfer-in from capital reserves												
2. Transfer-in from surplus reserves												
3. Loss covered by surplus reserves												
4. Changes in defined benefit plan transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserves												
1. Appropriation of the special reserve												
2. Usage of the special reserves												
(VI) Others												
IV. Balance at end of Period	873,370,000.00				995,721,167.46				108,587,124.40	-2,068,410,443.92		-90,732,152.06

8. STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY *(Continued)*

Amount for the previous period

Unit: RMB

Items	Amount for the first half of 2018											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Others	Total shareholders' equity
		Preferred	Perpetual	Others								
I. Balance at end of last year	873,370,000.00				995,721,167.46				108,587,124.40	-2,053,148,900.56		-75,470,608.70
Add: Changes in accounting policies												
Corrections to previous errors												
Others												
II. Balance at beginning of year	873,370,000.00				995,721,167.46				108,587,124.40	-2,053,148,900.56		-75,470,608.70
III. Changes in the current period ("-" represents loss)										492,544.55		492,544.55
(I) Total comprehensive income										492,544.55		492,544.55
(II) Increase/Decrease of capital from shareholders												
1. Ordinary shares invested by shareholders												
2. Capital contributed by holders of other equity instrument												
3. Shares payment taken into shareholder's equity												
4. Others												
(III) Distribution of profit												
1. Appropriation of surplus reserves												
2. Distribution to shareholders												
3. Others												

8. STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY *(Continued)*

Amount for the previous period (Continued)

Unit: RMB

Items	Amount for the first half of 2018										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Others	Total shareholders' equity
		Preferred	Perpetual	Others								
(IV) Transfer within equity												
1. Transfer-in from capital reserves												
2. Transfer-in from surplus reserves												
3. Loss covered by surplus reserves												
4. Changes in defined benefit plan transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserves												
1. Appropriation of the special reserve												
2. Usage of the special reserves												
(VI) Others												
IV. Balance at end of Period	873,370,000.00				995,721,167.46				108,587,124.40	-2,052,656,356.01		-74,978,064.15

Head: Zhu Jie　　Chief financial officer: Wang Kai　　Chief accounting officer: Xing Liwen

II. Company profile

2.1 History of the Company

Northeast Electric Development Co., Ltd. (formerly known as Northeast Electricity Transmitting & Transformation Machinery Manufacturing Ltd.) ("the Company" or "Company") is a company limited by shares established by directed placement initiated by the Northeast Electrical Transmission and Transformation Equipment Company Corporation Limited ("NET"), which was approved by the Shenyang Corporate System Reformation Commission under approval: Shen Ti Gai Fa [1992] 81. The Company was officially founded on 18 February 1993 with 824.54 million shares which were adjusted to 585.42 million shares in 1995. In 1995, the Company issued 257.95 million of H-shares in Hong Kong and was listed on the Hong Kong Stock Exchange on 6 July 1995. In the same year the Company issued 30 million of A-shares in a public offering and was listed on the Shenzhen Stock Exchange on 13 December 1995.

Unified Social Credit Code of the Company is: 91210000243437397T; Registered capital: RMB873,370,000.00; Legal representative: Li Tie; Registered address: Room A1-1077, 5th Floor, Building A, Entrepreneurship Incubation Center of Haikou National High-tech Zone, No. 266 Nanhai Avenue, Xiuying District, Haikou City, Hainan Province.

2.2 Principal industry

Electrical machinery and equipment manufacturing industry.

2.3 Business scope

The Company engages in production and sales of power transmission equipment and related accessories, provision of power transmission technology developing, consulting, transferring and testing services; wholesale of metal materials, rubber and rubber materials and products, insulating materials, ceramic materials and products, chemical raw materials and products (except for dangerous goods), electronic components, instrumentation, mechanical and electrical equipment and spare parts (the above commodities do not involve in state trading, import and export quota licenses, export quota bidding, import and export licenses or other special management commodities).

2.4 Main products

Main products of the Company are enclosed busbars and other system protection and transmission equipment.

2.5 First controlling shareholder of the Company

The first controlling shareholder of the Company is Beijing Haihongyuan Investment Management Co., Ltd., while the ultimate shareholder is Hainan Province Cihang Foundation.

2.6 The financial statements are approved at the 7th meeting of the 9th board of directors on 29 August 2019.

2.7 The results of 6 subsidiaries of the Company have been consolidated in the Financial Statements for Year 2019. Please see Note VIII "Equity in other entities".

III. Basics of preparation of financial statements

3.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared based on the actual transactions and events on a going concern basis in accordance with the requirements of "Accounting Standards for Business Enterprises –Basic Standards" –issued by Decree No.33 of the Ministry of Finance, amended by Decree No.76 of the Ministry of Finance – and 42 Specific Accounting Standards issued by the Ministry of Finance on 15 February 2006, and application guidelines, explanations and other relevant regulations which were announced subsequently (collectively, the "Accounting Standards for Business Enterprises"), and the disclosure requirements in accordance with the "Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2014 revision) " issued by China Securities Regulatory Commission.

The Company has prepared its financial accounting by Accrual Basis, according to 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.

3.2 Continuing operations

The Company's net loss after deducting non-recurring gains and losses in 2018 was RMB39,445,995.65. As at 31 December 2018, the total current liabilities exceeded the total current assets of RMB217,093,262.12. In the meantime, the aggregate compensation for resolved litigation has amounted to RMB272 million. These are major items or uncertainties that might probably cause concerns in regards with the continuing operation ability of the Company, even cause the Company unable to liquidate its assets and repay debts. This report is prepared on the assumption that the Parent Company – Beijing Haihongyuan Investment Management Co., Ltd. agreed to provide all necessary financial support to the Company in 2019.

We have taken into consideration of future liquidity and funding sources of the Company while evaluating whether there are enough financial resources for its continuing operations.

We are taking the following steps to ensure continuing operations according to the status quo of the Company:

1. Beijing Haihongyuan Investment Management Co., Ltd. – Parent Company of the Company intends to issue a loan (principal) of no more than RMB50 million to the Company, which can be used circularly by the listed company if not exceeding the limit, for supporting production and operation of the listed company, including but not limited to organizing the production, purchasing raw materials and machinery and equipment, and repaying the debts.

2. The Company will continue to fasten the approval of securities regulatory authorities for new non-public offering of H share, further optimize principal business through equity financing, actively seek opportunities for expanding new business segments, and enhance the Company's core competitiveness and sustainable development capabilities.

3. Consistent with the market changes and demands, proactively adjust the product structure and industrial upgrading, and accelerate the transformation to a modern service provider, and optimize the overall industrial distribution; develop new client bases, improve and strengthen sales system, and enhance the profitability of principal business.

4. With its holding subsidiary Garden Lane Hotel as a platform, the Company will research and explore new business sectors, and utilize the existing resources and talent advantages of its substantial shareholders in modern service industries to launch new business and develop new industries, thereby expanding the business scope of the Company, improving its asset portfolio, and bringing fresh energy into its sustained operation.

5. In line with the operation strategies, divest low-efficiency capital and equity investments and other non-operational assets with less frequent transactions, increase the cash flow, and improve the shareholding structure of the Company.

6. Enhance overall budget management and cost control, exert strict control over various expenditures and expenses, lower the operation costs, and maximize the profitability of principal business.

7. In strict accordance with the requirements of the listed company's standard operation, the Company continuously improves working standards and perfects the internal control system, establishes and improves the operation organization of the enterprise, continuously improves various internal control systems, strengthens risk control measures, and reduces the Company's operational risks. The Company's internal control system is more operable, to prevent damage to the interests of listed companies and shareholders, and to ensure the realization of the Company's business objectives.

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

IV. Significant accounting policies and accounting estimates

Tips for specific accounting policies and accounting estimates:

The Company and its subsidiaries have set up certain specific Accounting Policies and Accounting Estimates on accounting items such as recognition of revenue and determination of the progress of the contract 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 assessments made by the management, please refer to the Note "Changes in significant accounting policies and accounting estimates".

4.1 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the period ended 30 June 2019 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Company as at 30 June 2019 and of its operating results, cash flows and other information for the half year then ended. In addition, all material aspects of the financial statements of the Company are complied with the requirements of "Disclosure Requirement on Listed Issuers No.15- General Requirements on Financial Statements (2014 revision)" issued by China Securities Regulatory Commission in relation to the disclosure requirements on financial statements and its accompanying notes.

4.2 Accounting period

The accounting period of the Company 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 Company commences on 1 January and ends on 31 December each year.

4.3 Operating cycle

A normal operating cycle starts from purchasing assets used to produce, and ends when cash or equivalent is realized. It's the Company'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.

4.4 Recording currency

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

4.5 Accounting treatment for business combinations

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.

4.5.1 Business combination under common control

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

Assets and liabilities that are obtained by the acquirer in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being acquired. The difference between the carrying amount of the net assets obtained 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 share premium under capital reserve (or capital premium). If the share premium under capital reserve (or capital 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 expenses in the profit and loss at the period incurred.

4.5.2 Business combination not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For business combination not under common control, the party obtains the control of other parties at the combination date is the acquirer, other parties involve in the business combination are the acquirees. The combination 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 is the fair value of consideration paid including cash and non-cash assets, liabilities undertaken, debts and equity securities issued for the controlling interest of the acquiree at the acquisition date. Costs that are directly attributable to the business combination such as audit fee, legal services fee, consultancy fee and other relevant expenses incurred by the Company as the acquirer are expenses 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. For conditions that existed at the date of the acquisition and within 12 months of the acquisition date, when there are updated or new evidence which affect the fair value of the contingent assets and liabilities acquired or undertaken as consideration of the business combination, the goodwill arising from the business combination shall be amended accordingly. The cost of combination 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 the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current year after a review of computation.

In relation to the deductible temporary difference acquired from the acquiree which were not recognized as deferred tax assets due to non-fulfillment of the recognition criteria, for conditions that existed at the date of the acquisition and within 12 months of the acquisition date, when there are 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 recognized and set-off against goodwill, when the amount of goodwill is less than the deferred tax assets that shall be recognized, the difference shall be recognized in profit or loss. Except for the above circumstances, deferred tax assets recognized in relation to business combination are recognized 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 "Interpretation 5 on Accounting Standards for Business Enterprises" (Cai Kuai [2012] No.19) and "Decree 33, Accounting Standards for Business Enterprises – Consolidated Reports" (Refer to Note IV.5(2)). 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 IV.12 "Long term equity investment"; when the business combination is not regarded as "a bundle of transactions", the accounting treatment for the business combination in the Company's 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 interest in the acquiree prior to the acquisition date and the amount of additional investment made to the acquiree at the acquisition date. Other comprehensive income involved in the previously-held equity interest in the acquiree prior to the acquisition date are accounted on the same basis as the investee when disposing of their relative assets or liabilities (i.e. Except for the portion varied due to change of net liabilities or net assets under remeasurement of defined benefit plans, the rest are taken into the current return on investment).

In the consolidated financial statements, the fair value of the previously-held equity interest in the acquiree is remeasured at the acquisition date, The difference between the fair value and the carrying amount is recognized as investment income for the current period; the amount recognized in other comprehensive income relating to the previously-held equity interest in the acquiree are accounted on the same basis as the investee when disposing of their relative assets or liabilities (i.e. Except for the portion varied due to change of net liabilities or net assets under re-measurement of defined benefit plans, the rest are taken into the current return on investment).

4.6. Preparation method of consolidated financial statements

4.6.1 Scope of consolidation

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

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

4.6.2 Preparation method of consolidated financial statements

Subsidiaries are consolidated from the date on which the Company 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 balance sheet 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 balance sheet would be restated.

In preparing the consolidated financial statements, where the accounting policies and 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 period 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 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 on the consolidated financial statements under shareholders' equity and net profit respectively. Subsidiary's net profits or losses for the period attributable to minority interest are presented in the consolidated income statement as "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 an interest in the subsidiary or other reasons, the fair value of the remaining equity interest is remeasured at the date on which 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 subsidiary since acquisition date according to the original shareholding ratio, is recognized as the investment income from the loss of control. Other comprehensive income in relation to the subsidiary are accounted on the same basis as the investee when control ceased (i.e. except for changes due to net liabilities or net assets from such investee's re-measured defined benefits plan, the rest are 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.12 "Long-term equity investments" or Note IV.9 "Financial instruments".

The Company 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 met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: (i) The transactions are entered into simultaneously or after considering the mutual consequences of each individual transaction; (ii) The transactions need to be considered as a whole in order to achieve a deal with commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transaction(s) in the series; (iv) The result of an individual transaction is not economical, but it would be economical after taken into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as "disposal of a portion of an interest in a subsidiary which does not lead to loss of control" (detailed in Note IV.12(2)(iv)) and "disposal of a portion of an interest in a subsidiary which lead 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 recognized 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.

4.7 Joint venture arrangement classification and relative accounting methods

Joint venture arrangement is the arrangement jointly controlled by two or more parties. The Company 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 Company shares the assets as well as the liabilities of the invested entity. Joint venture refers to the arrangement that the Company shares only the net asset of the invested entity.

Equity method is adopted to account for investment in the joint ventures by the Company in accordance with the accounting policy as set out in Note IV.12(2)(ii) "Long term equity investment accounted for using equity method".

In a joint-operation, the Company recognizes assets held and liabilities assumed solely by the Company; assets held and liabilities assumed jointly by the Company in proportion to the share of the Company; income from sales of the products of the joint operation attributable to the Company; share of income from sales of products by the joint operation of the Company; expenses solely incurred by the Company; and expenses incurred by the joint operation in proportion to the share of the Company.

When the Company, as a party in the joint operation, transfers or sells an asset (not being a business, the same below) to, or purchase assets from the joint operation, only the relative profit or loss arising from such transaction attributable to other participating parties will be recognized by the Company 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 Standards for Business Enterprise No. 8 – Impairment of assets", the Company will recognize loss in full amount if it is the Company that transfers or sell assets to the joint operation, and will recognize shared loss if it is the Company that purchases the assets from the joint operation.

4.8 Definition of cash and cash equivalents

Cash and cash equivalents of the Company comprise cash on hand, deposits that can be readily drawn on demand, and short-term (usually mature with 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.

4.9 Foreign currency transactions and foreign currency translation

4.9.1 Foreign currency transactions

Foreign currency transactions are, on initial recognition, translated to the recording currency using the exchange rates prevailing at the dates of the transactions (usually the middle price of RMB exchange rate published by the People's Bank of China on that date in general and the same below), except when the Company carried on a business of currency exchange or involve in currency exchange transactions, at which the actual exchange rates would be used.

4.9.2 Foreign currency translations for foreign-currency monetary items and foreign-currency non-monetary 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 period, 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 amortized cost, which is recognized in other comprehensive income.

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

4.9.3 Translation of foreign currency financial statements

For the purpose of preparing consolidated financial statements involving foreign operations, the exchange difference arising from monetary items involved in the net investment to the foreign operation will be recognized as "exchange difference arising translation of foreign operations" under other comprehensive income, when the foreign operation is disposed, the exchange difference will be recognised in the profit or loss during the period of disposal.

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 or the rates approximate thereto. 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 in overseas operations and of overseas operations are translated at the spot exchange rates on the dates of the cash flows or the rates approximate thereto. 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 difference 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 Company disposes all of offshore shareholders' equity, and ceases control over its overseas operations due to partial disposal of equity investment or other reasons.

The Company 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 Company's associate or joint venture.

4.10 Financial instruments

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

4.10.1 Classification, recognition and measurement of financial assets

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

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

(i) Financial assets at amortised cost

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

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

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

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

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

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

4.10.2 Classification, recognition and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss at inception.

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

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

(ii) Other financial liabilities

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

4.10.3 Recognition and measurement on transfer of financial assets

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

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

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

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

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

4.10.4 Derecognition of financial liabilities

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

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

4.10.5 Offsetting financial assets and financial liabilities

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

4.10.6 Determination of fair value of financial assets and financial liabilities

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

4.10.7 Equity instruments

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

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

4.11 Impairment of financial assets

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

4.11.1 Recognition approach of impairment provisions

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

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

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

4.11.2 Criteria for determining significant increase in credit risk since initial recognition

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

4.11.3 Simplified approach options

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

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

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

4.11.4 Methods for assessing expected credit risks on collective basis

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

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

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

4.12 Inventories

Whether the Company needs to be in compliance with the disclosure requirements for specific industries

No

4.12.1 Classifications of inventories

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

4.12.2 Costing of inventories

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

4.12.3 Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories

Net realizable 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 realizable value of inventories shall be made based on concrete evidence obtained, the purpose of holding inventories and the effect of subsequent events.

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

When provision for decline in the value of inventories is made, if the factors that give rise to the provision previously do not exist anymore which result in a net realizable value of the inventory higher than its cost, the original provision should be reversed and recognized in current profit or loss.

4.12.4 The Company adopts the perpetual inventory system.

4.13 Contract assets

Contract assets refer to the right to receive consideration for the goods delivered to customers, which depends on factors other than the passage of time. If the Company sells two distinct items to customers, the Company has the right to receive payment for one of the items we have delivered, but the collection of such payment also depends on the delivery of another item by the Company, thus the right is regarded as contract assets.

4.14 Contract costs

Where the Company expects to recover the incremental cost of the contract, it is recognized as an asset as the contract acquisition cost.

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

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

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds: (i) remaining amount of consideration that the Company expects to receive in exchange for the goods to which the asset relates; less (ii) estimated costs to be incurred in connection with the transfer of relevant goods. The factors of impairment in the previous period have changed, so that if the difference between the above (i) and (ii) is higher than the book value of the asset, it should be transferred back to the original provision for impairment of assets, and included in the current profit or loss, but the reversed book value of the subsequent asset shall not exceed the book value of the asset on the date of reversal, assuming no provision for impairment.

4.15 Long-term equity investments

Long-term equity investments in this section refer to those with which the Company exercises single or joint control over the invested entity, or has significant influence on its operation. Long-term equity investments fall out of this category are classified as financial asset at fair value through current profit or loss. In particular, if such long-term equity investment is non-transactional, the Company may choose to designate it as financial assets at fair value through other comprehensive income at initial recognition. For detailed accounting policy, please see "Financial Instruments" in Note IV.9.

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 Company has to join in the decision-making process for financial and business operation policies of the invested entity, while unable to control or sharing joint control with other parties over such decision makings.

4.15.1 Recognition of cost of investment

For long-term equity investment resulting from merger of enterprises under common control, the Company regards the share of the book value of the equity of the merged enterprise in the consolidated financial statements as the initial cost of such investment on the date of merger. The difference between the initial cost of the long-term equity investment, non-cash assets transferred and the total book 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. If the consideration of the merging enterprise is by issuing equity securities, on the date of merger, the Company regards the share of the book value of the controlling party's equity of the merged enterprise as the initial cost of the long-term equity investment. Total face value of the stocks issued are 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 realized by two or more transactions of exchange and ultimately under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regards the share of the book value of the controlling party's equity of the merged enterprise as the initial cost of the long-term equity investment on the date of merger. Difference between the initial cost of the long-term equity investment and the sum of book value of long-term equity investment plus new consideration paid for the share in the invested entity on the date of merger shall offset capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted. Equity investment held before the date of merger are not accounted for the period because they are accounted by equity method 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 Company regards the cost of business combination as the initial cost of such investment on the date of merger. The cost of business combination includes the sum of assets paid by the acquirer, liabilities paid or undertaken and the fair value of equity securities issued. For a business combination realized by two or more transactions of exchange and ultimately not under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as "a bundle of transactions" or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regards the sum of book value of the equity investment of the invested entity plus added cost of investment as the initial cost of investment by using the cost method. For such book value of the equity investment, if it is accounted by method of equity, the relative other comprehensive income is not accounted for the period.

Agent costs such as audit fee, legal service fee, consultancy fee and other relevant administration expenses incurred by the acquirer for the purpose of business combination are recognized in current profit or loss as incurred.

For long-term equity investments acquired other than through a business combination, the investment shall be initially recognized at cost, the cost of investment varies between different ways of acquisition, which is recognized based on the actual amount of cash consideration paid by the Company, fair value of equity instruments issued by the Company, 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 or 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 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".

4.15.2 Methods for subsequent measurement and recognition of profit and loss

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

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

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

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

For long-term equity investment accounted for using equity method, where the initial investment cost exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the initial investment cost of the long-term equity investment will not be adjusted; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, 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 recognized separately according to the share in the invested entity's net profit or loss and its other comprehensive income, with the book value adjusted for the long-term equity investment by the Company. Book value of the long-term equity investment will be deducted according to the declared profit to be distributed by the invested entity or the share of cash dividend. In respect of changes to shareholders' equity other than net profit or loss, other comprehensive and profit distribution, the book value of long-term equity investment shall be adjusted and included in the capital reserve. Net profit or loss of the invested entity is recognized after adjustment to the net profit on the basis of fair value of all recognizable assets of the invested entity on acquisition. Accounting policies and accounting period of the invested entity will be adjusted according to the Company's relative regulations if that entity adopted different policies. Meanwhile return on investment and other comprehensive income are adjusted accordingly. For transactions between the Company and its associates and joint ventures not constituting business transactions by transferring or selling assets, relative unrealized profit or loss on internal transactions attributable to the Company pro rata will be offset, and return on investment will be recognized on such basis. However, if such realized loss on internal transactions are classified as loss on decline in value of asset, 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 are recognized as initial cost of investment, and the difference between initial cost of investment and book value of asset transferred are taken in full amount into current profit or loss, if the investing party obtain 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 asset are 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 are recognized, according to the regulations in "Accounting Standards for Business Enterprise No. 20 – Business combination".

The Company discontinues recognizing 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 Company's net investment in the investee is reduced to zero. In addition, if the Company has an obligation to assume additional losses of the investee, the provisions are recognised based on the obligations expected to be assumed and recognised in the investment loss for the current period. Where net profits are subsequently made by the investee, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

(iii) Acquisition of minority interest

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

(iv) Disposal of long-term equity investment

When preparing consolidated financial statements, when the parent company disposes part of its long-term equity investments in a subsidiary without loss of control, the difference between the consideration received and the share of net asset for the disposed portion of long-term equity investment shall be recognized in shareholders' equity; when the parent company disposes part of its long-term equity investments in a subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated at 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 recognized in current profit or loss.

For long-term equity investment accounted for using equity method where the remaining equity after disposal continues to be accounted for using the 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 recognized 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 on a pro rata basis.

For the remaining equity accounted with cost method after partial disposal where the remaining equity after disposal continues to be accounted for using the cost method, the same basis as the invested entity while disposing relative asset or liability will be used for the other comprehensive income recognized using equity method before the investment, or recognized 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 recognised in net assets of the investee by using the equity method other than net profit or loss, other comprehensive income or profit distribution will be taken into current profit or loss on a pro rata basis.

For the remaining share equity after partial disposal which cause the Company to lose control over the invested entity, equity method will be used to account and adjust for the remaining share equity as if they are accounted by the same method upon acquisition, if such equity enables the Company 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 recognized by equity method or by financial instruments recognition and measurement before the Company took control of the invested entity, the same basis the invested entity while disposing relative asset or liability will be adopted for accounting when the Company lose control over the investee, changes to shareholders' equity in the net asset of invested entity recognized by equity method, other than net profit or loss, other comprehensive income and profit distribution will be carried forward to current profit or loss. 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 Company to lose joint control or significant influences over the invested entity are accounted by financial instrument recognition and measurement, 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, full amount of shareholders' equity recognized by other change to shareholders' equity other than net profit or loss, other comprehensive income or profit distribution will be taken into return on investment for the period when equity method stops being adopted.

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

4.16 Investment properties

Investment properties, which are properties held to earn rental or capital appreciation or both, including land use rights that have already been leased out, land use rights that are held for the purpose of sale after capital appreciation, buildings that have been already been leased out, etc.

Investment properties are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Company and its cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss for the period in which they are incurred.

The Company adopts the cost model for subsequent measurement of the investment properties, and they are depreciated or amortized on a basis consistent with the Company adopts for buildings and land use rights.

Impairment loss assessment and provision for impairment loss for investment properties are detailed at Note V.22 “Long-term assets impairment”.

When owner-occupied property or inventories are transferred to investment property or when investment property is transferred to owner-occupied property, the initial recognized amount shall be the carrying amount of the property before such transfer.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property net of its carrying amount and related taxes and expenses is recognized in current profit or loss.

4.17 Fixed assets

4.17.1 Recognition criteria for fixed asset

Fixed assets are tangible assets that are held for producing goods, rendering labour service, leasing out to other parties or administrative purposes, with useful life more than one year. Fixed assets are recognised only when future economic benefits that are associated with the asset will probably flow to the Company and the cost can be measured reliably. A fixed asset is initially measured at cost by taking account into the effect of any expected costs of abandoning the asset.

4.17.2 Depreciation method

Category	Depreciation method	Useful life (year)	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%

4.17.3 Basis for identification and the method for measurement and depreciation of fixed assets held under a finance lease

A lease that transfers substantially all the risks and rewards incidental to the ownership of an asset is a finance lease, the ownership of the asset may or may not be transferred. Fixed assets held under a finance lease are depreciated on a basis consistent with the depreciation policy adopted for fixed assets that are self-owned. When a fixed asset held under a finance lease can be reasonably determined that its ownership will be acquired upon expiration of lease term, it is depreciated over the period of expected use; otherwise, the fixed asset is depreciated over the shorter period of the lease term and the period of expected use.

4.18 Construction in progress

The cost of construction in progress is determined according to the actual expenditure incurred for the construction, including all construction expenditures incurred during the construction period and other relevant expenses. Construction in progress is transferred to fixed assets when the asset is ready for its intended use.

4.19 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 of a qualifying asset is capitalized when expenditures for the qualifying asset have been incurred, borrowing costs have been incurred and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use or sale have commenced. The capitalization ceases when the qualifying assets are ready for its intended use or at a state that is saleable. Other borrowing costs are recognised in current profit or loss as incurred.

Interest costs arising from specific borrowings is 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, exchange differences related to specific borrowings denominated in foreign currency are fully capitalized. Exchange differences related to general borrowings denominated in foreign currency are recognised in current profit or loss.

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

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

4.20 Right-of-use assets

4.20.1 Recognition criteria

Right-of-use assets refer to the right of using assets during the lease term. Right-of-use assets are measured initially at cost, including:

(I) the amount of the initial measurement of lease liabilities;

(II) any lease payments made on or before the commencement date, less any lease incentives enjoyed (if any);

(III) any initial direct costs incurred by the lessee;

(IV) an estimate of costs to be incurred by the lessee to dismantle and remove the leased asset, restore the site on which the leased asset is located or recover the leased asset to the state specified in the lease agreement.

4.20.2 Depreciation

The Company adopts straight-line method for depreciation according to the useful life of rental.

4.21 Intangible assets

4.21.1 Measurement method, useful life, impairment test

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

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

Land use rights acquired are usually accounted for as intangible assets. Cost of 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, if the consideration cannot be apportioned reasonably; both the land use rights and buildings are accounted for as fixed assets.

Intangible assets with finite useful lives are amortized at cost less residual value and accumulated 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 the period, and relevant adjustments will be regarded as a change in accounting estimates. In addition, intangible asset with an infinite useful life are reviewed, if there are objectives evidence that the economic benefit derived from the intangible asset is finite, then the life of that intangible asset would be estimated and it would be amortized in accordance with the accounting policies in relation to intangible assets with finite useful life.

4.21.2 Accounting policy for internal research and development expenditure

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 recognised in profit or loss in the period in which it is incurred.

Expenditure on the development phase is capitalized as intangible assets only if all of the following conditions are satisfied, expenditure on the development phase which cannot met all of the following conditions are recognised in current profit or loss:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset, and to use or sell it;

(iii) it can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself, if the intangible asset is to be used internally, the usage of it can be demonstrated;

(iv) there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets; and

(v) 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 recognised in profit or loss as incurred.

4.22 Long-term assets impairment

At the balance sheet date, the Company 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 exists that an asset may be impaired, the recoverable amount of the asset is 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 diminution in value and an impairment loss are recognised 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 has 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. 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 recognised 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 performing impairment test on goodwill that is separately presented in the financial statements, 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 recognised. 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 recognised, it will not be reversed for the value recovered in the subsequent periods.

4.23 Long-term deferred expenses

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

4.23.1 Prepaid rental for operating lease of fixed assets, amortized evenly over the lease term of the leasing contract.

4.23.2 Expenditures paid for improvement of fixed assets under operating lease, amortized over the lease term or remaining useful life of the asset, whichever is shorter.

4.23.3 Decoration that is qualified to be capitalized in relation to fixed asset acquired under finance lease, amortized over the remaining time until the next decoration, lease term or remaining useful life of the fixed asset, whichever is shorter.

For long-term deferred expenses which will not benefit the Company in subsequent period, the carrying amount of the long-term deferred expenses is transferred to current profit and loss.

4.24 Contract liabilities

Contract liabilities refer to the obligation to transfer goods to customers for the consideration received or receivable from the customers. If customers have paid the consideration or the Company has obtained the right to receive payments unconditionally before the Company transfers goods to customers, the Company presents the accounts received or receivable as contract liabilities at the time when customers actually make a payment or the payment is due, whichever is earlier. The Group will present contract assets and contract liabilities under the same asset on a net basis, and the contract assets shall not be offset with the contract liabilities under different assets.

4.25 Employee compensation

4.25.1 Accounting treatment of short-term employee compensation

Short-term employee compensation includes wage, bonus, allowances and subsidies, employee welfares, medical insurance premium, maternity insurance premium, work injury insurance premium, housing provident funds, labour union expenditures and employee education expenses, non-monetary welfare, etc. Short-term employee compensation incurred during the accounting period in which an employee renders services to the Company is recognized as liability, and accounted for in the current profit & loss or relative cost of asset. Non-monetary welfare will be measured at fair value.

4.25.2 Accounting treatment of post-employment benefits

Post-employment benefits mainly comprise of basic endowment insurance and unemployment insurance, while post-employment benefits program includes defined contribution plan. If a defined contribution plan is adopted, the relative contribution amount will be accounted for in the relative cost of asset or the current profit & loss as incurred.

4.25.3 Accounting treatment of termination benefits

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

4.25.4 Accounting treatment of other long-term compensation

Internal retirement plan adopts the same principle as the above mentioned compensation for the termination of employment relationship with the employee. The Company accounts for the wage and social insurance contributions to be incurred from the date the employee ceases services to the Company to the scheduled retirement date into termination benefits in the current profit & loss, when requirements for recognition of provision are met.

Where other long-term employee benefit provided by the Company for its employees falls in defined contribution plans, it shall be accounted for as a defined contribution plan, or otherwise as a defined benefit plan.

4.26 Provision

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

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

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

4.27 Revenue

Whether the Company needs to be in compliance with the disclosure requirements for specific industries

No

Whether the New ASBEs on Revenue has been adopted

√ Yes ☐ No

Accounting policies used in revenue recognition and measurement

Revenue is recognized when the customer obtains control of the relevant commodity, and the contract between the Company and the customer meets the following conditions: the parties have approved the contract and have committed to perform their respective obligations; the contract identifies the rights and obligations of the parties relating to the goods transferred or the provision of services; the contract has clear payment terms associated with the transferred goods; the contract has commercial substance, which means that the fulfillment of the contract will result in changes in risk, time distribution or amount of the future cash flows of the Company; the consideration that the Company is entitled to for the transfer of goods to customers is likely to be recovered.

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

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

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

The adoption of different business models for the same type of business will lead to different accounting policies for revenue recognition

4.28 Government grants

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

The government grants of the Company are normally recognized and measured at the moment they are actually received, but are measured at the amount receivable when there is conclusive evidence at the end of the accounting period that the Company will meet related requirements of the financial support policies and will be able to receive the grants. Government grants that are measured according to the amount receivable shall also comply with the following conditions: (1) grants receivable shall be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants shall be given based on the local financial projects and fund management policies officially released and voluntarily disclosed by local financial authorities in accordance with the provisions under Regulations on Disclosure Government Information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment shall be specified in related documents and the payment thereof is financed by the corresponding budget as a guarantee to ensure such grants will be paid within the prescribed period with a reasonable assurance; (4) other conditions (if any) shall be satisfied according to the specific circumstances of the Company and the subsidy matter.

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

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

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

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

4.29 Deferred income tax assets/deferred income tax liabilities

4.29.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current or prior periods are measured at the amount expected 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 period in accordance with relevant requirements of tax laws.

4.29.2 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 Company 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 Company 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 Company 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 utilised, except when both of the following conditions are satisfied: it is not probable that the temporary difference will be reversed in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

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

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced 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. Such reduction in amount shall be reversed when it is probable that sufficient taxable profits will be available.

4.29.3 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, 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.

4.29.4 Offset of income tax

Current income tax assets and current income tax liabilities are offset and presented on a net basis if the Company 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 Company 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.

4.30 Leases

4.30.1 Accounting treatment for operating leases

(1) The Company as a lessee under operating leases

Rental expenses under operating lease are recognized on a straight line basis as relevant asset costs or in profit or loss for the period over the lease term. Initial direct costs are recognized in profit or loss for the period. Contingent rentals are recognized in profit or loss for the period based on actual occurrence.

(2) The Company as a lessor under operating leases

Rental incomes under operating lease are recognized in profit or loss for the period on a straight line basis over the lease term. Initial direct cost where the amount is larger is capitalized when incurred, and are amortized in profit or loss on the same basis as rental income over the entire lease term. Other initial direct costs where the amount is fewer are charged to profit or loss for the period in which they are incurred. Contingent rentals are recognized in profit or loss based on actual occurrence.

4.30.2 Accounting treatment for finance leases

(1) The Company as a lessee under finance leases

At the leasing commencement date, the Company records the leased asset at the amount of the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes the minimum lease payments as the present value of long-term payables. The difference between the two recorded amounts is accounted for as unrecognized finance expenses. In addition, direct cost in relation to the negotiation of the lease and signing of lease contract can be capitalized to the recorded amount of the leased asset. Minimum lease payments less unrecognized finance expenses are presented in the balance sheet separately as long-term liability or long-term liability due within one year.

Unrecognized finance expenses are recognized as finance expenses for the period using the effective interest method over the lease term. Contingent rentals are credited to the current profit or loss based on actual occurrence.

(2) The Company as a lessor under finance leases

At the leasing commencement date, the Company records the finance lease receivable at the amount of the sum of the minimum lease receipts and initial direct costs at the inception of the lease, at the same time records the unguaranteed residual value; the difference between the sum of minimum lease receipts, initial direct costs and unguaranteed residual value and the sum of their present values are recognized as unrealized finance income. Finance lease receivable less unrealized finance income is presented in the balance sheet separately as long-term receivables and long-term receivables due within one year.

Unrealized finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rentals are credited to the current profit or loss based on actual occurrence.

4.31 Changes in significant accounting policies and accounting estimates

4.31.1 Changes in significant accounting policies

√ Applicable ☐ Not applicable

Contents and reasons of changes in accounting policy	Examination and approval procedure	Remarks
The Ministry of Finance (MOF) issued the Accounting Standards for Business Enterprises No. 21 – Leases (hereinafter referred to as the "New Lease Standard") based on Cai Kuai [2018] No. 35 on 7 December 2018, starting on 1 January 2019. The Company has applied the relevant standards in its preparation of the interim financial statements of 2019.	Such change in accounting policy has been approved at the fourth meeting of the ninth Board held on 29 April 2019.	As the relevant leases have been implemented and completed in February 2019, no adjustment would be required pursuant to the provisions for the transitional period on retained earnings and the amounts of other items in the financial statements at the beginning of the year in which the standard is first applied.
On 30 April 2019, the MOF issued the "Notice on Revising and Issuing the Format of 2019 Financial Statements for General Enterprises" (Cai Kuai [2019] No. 6) (hereinafter referred to as the "New Format of Financial Statements") which revised the format of financial statements for general enterprises. The Company has applied the relevant standards and treated according to the provisions for the transitional period in its preparation of the interim financial statements of 2019.	Such change in accounting policy has been approved at the sixth meeting of the ninth Board held on 26 June 2019.	Please see Explanation for details.

Note:

Explanation:

On 30 April 2019, the MOF issued the "Notice on Revising and Issuing the Format of 2019 Financial Statements for General Enterprises" (Cai Kuai [2019] No. 6) which revised the format of financial statements for general enterprises. The report items and the amount importantly impacted by the retroactive restatement due to the changes in format of financial statements of the Group on 31 December 2018 are listed as follows:

Consolidated statement

Item and amount of the previous report		Item and amount of the current report	
Notes receivable and accounts receivable	30,517,139.65	Notes receivable	
		Accounts receivable	30,517,139.65
Notes payable and accounts payable	22,794,293.57	Notes payable	
		Accounts payable	22,794,293.57

Financial statement of parent company:

Item and amount of the previous report		Item and amount of the current report	
Notes receivable and accounts receivable		Notes receivable	
		Accounts receivable	
Notes payable and accounts payable		Notes payable	
		Accounts payable	

4.31.2 Changes in significant accounting estimates

☐ Applicable √ Not applicable

4.31.3 Related conditions on the adjustment of the items in financial statements at the beginning of the year of initial implementation arising from initial implementation of New Financial Instrument Standard, New Income Standard and New Lease Standard

☐ Applicable √ Not applicable

4.31.4 Retrospective adjustment of the previous comparative data by initial adoption of New Financial Instrument Standard and New Lease Standard

☐ Applicable √ Not applicable

4.32 Others

V. Tax

5.1 Major types of tax and tax rates

Type of tax	Tax base	Tax rate
VAT	Taxable income after offsetting deductible input VAT.	16%, 13%, 6%
Urban construction & maintenance tax	Turnover tax payable.	7%
Enterprise income tax	Taxable income payable.	25%, 16.5%
Educational surcharge	Turnover tax payable.	5%

5.2 Tax concessions

5.2.1 The profit tax rate for Northeast Electric Development (Hong Kong) Co., Ltd., a wholly owned subsidiary of the Company registered in HKSAR of PRC is 16.5%.

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

5.2.3 Shenyang Kaiyi Electric Co., Ltd., a subsidiary of the Company, is levied upon deemed income.

VI. Notes to Items in Consolidated Financial Statements

6.1 Cash and equivalents

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	2,310.92	3,139.97
Bank deposits	135,283,851.43	139,721,198.26
Other cash and equivalents	5,588,506.07	6,001,320.00
Total	140,874,668.42	145,725,658.23
Including: total overseas deposits	330,260.14	328,920.93

Other explanations

Notes:

(1) As at the end of the year, time deposit is RMB55,000,000.00 in the item of bank deposits, including RMB25,000,000.00 with deposit period from 22 November 2018 till 22 November 2019 and RMB30,000,000.00 with deposit period from 20 November 2018 till 20 November 2019.

(2) Of other cash and equivalents as at the end of the year, RMB5,588,506.07 is the deposits for performance guarantee.

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

6.2 Accounts receivable

6.2.1 Classification of accounts receivable

Unit: RMB

Type	Closing balance					Opening balance				
	Carrying amount		Provision for bad debt			Carrying amount		Provision for bad debt		
	Amount	Percentage	Amount	Percentage of provision	Book value	Amount	Percentage	Amount	Percentage of provision	Book value
Including:										
Accounts receivable of provision for bad debt on a collective basis	37,796,427.55	100.00%	7,279,287.90	19.26%	30,517,139.65	29,053,921.29	100.00%	7,279,287.90	25.05%	21,774,633.39
Including:										
Total	37,796,427.55	100.00%	7,279,287.90	19.26%	30,517,139.65	29,053,921.29	100.00%	7,279,287.90	25.05%	21,774,633.39

Provision for bad debt on a collective basis:

Unit: RMB

Aging	Closing balance		
	Carrying amount	Provision for bad debt	Percentage of provision
Within 1 year	21,089,304.86	456,930.66	2.17%
1 – 2 years	6,068,568.00	655,091.88	10.79%
2 – 3 years	2,541,980.00	983,583.52	38.69%
Over 3 years	8,096,574.69	5,183,681.84	64.02%
Total	37,796,427.55	7,279,287.90	19.26%

Explanation on the basis for confirmation of the combination:

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please disclose the information about provision for bad debts with reference to the way of disclosure of other receivables:

☐ Applicable √ Not applicable

By aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	21,089,304.86
1 – 2 years	6,068,568.00
Over 3 years	817,286.79
3 – 4 years	817,286.79
Total	30,517,139.65

6.2.2 Details of provision, retrieval and reversal of bad debts for the period

Details of provision for bad debts for the period:

Unit: RMB

Type	Opening balance	Changes for the period			Closing balance
		Provision	Retrieval or reversal	Write off	
Provision for bad debt of accounts receivable	7,279,287.90				7,279,287.90
Total	7,279,287.90				7,279,287.90

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

Name of company	Relationship	Closing balance	Aging	Percentage in total balance of accounts receivable at end of period (%)	Balance of provision for bad debts at end of period
China Resources Power (Changzhou) Co., Ltd.	Non-related	2,507,926.00	Within 1 year	6.64%	100,253.38
(Shandong Steel Rizhao) Beijing Xuguo Energy Co., Ltd.	Non-related	2,223,727.00	Within 1 year	5.88%	88,892.63
Harbin Electric Machinery Co., Ltd. (Tianwan)	Non-related	2,150,000.00	Within 2 years	5.69%	221,218.43
Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel) (吉林省旅遊集團有限責任公司長白山賓館)	Related	2,037,376.10	Within 1 year	5.39%	
China Power (Pu'an) Power Generation Co., Ltd.	Non-related	1,859,300.00	Within 2 years	4.92%	191,307.64
Total	—	10,778,329.10	—	28.52%	601,672.08

6.3 Prepayments

6.3.1 Prepayments by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	1,298,345.49	43.66%	265,991.01	13.70%
1 – 2 years			1,668,168.36	
2 – 3 years	1,668,168.36	56.09%		85.92%
Over 3 years	7,334.00	0.25%	7,334.00	0.38%
Total	2,973,847.85	–	1,941,493.37	–

Explanation on failure in timely settlement of significant prepayments aged over 1 year:

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

Name of company	Relationship	Amount	Aging	Percentage in total balance of prepayments at end of period (%)
Haitong Int'l Security Co. Ltd.	Non-related	933,870.00	Within 2 years	31.40%
HNA Tianjin Center Development Co., Ltd.	Related	796,650.00	Within 1 year	26.79%
Grandall (Shanghai) Law Firm	Non-related	471,698.11	Within 2 years	15.86%
Jilin Province Tourism Group Co., Ltd. (Zijinghua Restaurant) (吉林省旅遊集團有限責任公司紫荊花飯店)	Related	390,000.00	Within 1 year	13.11%
Anthony Siu & Co.	Non-related	219,195.25	Within 2 years	7.37%
Total		2,811,413.36		94.54%

Other explanations:

6.4 Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	1,100,000.00	
Other receivables	4,728,062.70	3,063,837.30
Total	5,828,062.70	3,063,837.30

6.4.1 Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Time deposits	1,100,000.00	0.00
Entrusted loans	0.00	0.00
Bond investments	0.00	0.00
Total	1,100,000.00	

6.4.2 Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Amount at end of period	Amount at beginning of period
Litigation (See note VI.4(1)A)	76,090,000.00	76,090,000.00
Current account	7,580,308.41	7,657,349.76
Deposits for bidding	1,582,766.10	1,910,191.45
Others	2,288,752.80	
Total	87,541,827.31	85,657,541.21

2) Provision for bad debts

Unit: RMB

	Phase I	Phase II	Phase III	
Provision for bad debt	Expected credit loss over the next 12 months	Lifetime expected credit loss (not credit-impaired loans)	Lifetime expected credit loss (credit-impaired loans)	Total
Balance on 1 January 2019		82,593,703.91		82,593,703.91
Balance for the period on 1 January 2019	—	—	—	—
Reversal for the period		830,784.80		830,784.80
Balance on 30 June 2019		81,762,919.11		81,762,919.11

Changes in book balance of provision for losses with significant changes in the current period

☐ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	5,821,892.07
1-2 years	2,515.26
2-3 years	3,655.37
Total	5,828,062.70

3) Details of provision, retrieval or reversal of bad debts for the period

Details of provision for bad debts for the period:

Unit: RMB

Type	Opening balance	Changes for the period		Closing balance
		Provision	Retrieval or reversal	
Provision for bad debt of other receivables	82,593,703.91		830,784.80	81,762,919.11
Total	82,593,703.91		830,784.80	81,762,919.11

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

Unit: RMB

Name of company	Nature	Closing balance	Aging	Percentage in total balance of other receivables at end of period	Balance of provisions for bad debts at end of period
Benxi Iron & Steel (Group) Co., Ltd.	Current account	76,090,000.00	Over 4 years	100.00%	76,090,000.00
Dongguan Yujingwan Hotel	Current account	2,839,800.00	Within 1 year		
Xintai (Liaoning) Precision Machinery Co., Ltd.	Current account	600,000.00	Over 4 years	100.00%	600,000.00
Fuxin Aluminum Alloy Branch	Engineering cost	534,518.86	Over 4 years	100.00%	534,518.86
CHD Tendering Co., Ltd.	Deposits for bidding	290,000.00	Within 1 year	10.18%	29,510.30
Total	–	80,354,318.86	–	91.74%	77,254,029.16

6.5 Inventories

Whether the New ASBEs on Revenue has been adopted

√ Yes ☐ No

6.5.1 Classification of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Allowance for impairment	Book value	Carrying amount	Allowance for impairment	Book value
Raw material	6,548,479.69	32,793.03	6,515,686.66	4,141,655.68	32,793.03	4,108,862.65
Work in progress	2,248,519.08		2,248,519.08	1,824,348.73		1,824,348.73
Finished goods	4,415,716.30	313.07	4,415,403.23	3,655,439.45	313.07	3,655,126.38
Total	13,212,715.07	33,106.10	13,179,608.97	9,621,443.86	33,106.10	9,588,337.76

Is the Company required to conform to the Guidelines No.4 of the Shenzhen Stock Exchange on Industry Information Disclosure – Listed Companies Engaging in Seed Industry or Planting Business

No

6.5.2 Allowance for inventories

Unit: RMB

Item	Opening balance	Increase of provision during the period		Decrease of provision during the period		Closing balance
		Provision	Others	Reverse/ Write-off	Others	
Raw materials	32,793.03					32,793.03
Finished goods	313.07					313.07
Total	33,106.10					33,106.10

6.6 Other current assets

Whether the New ASBEs on Revenue has been adopted

√ Yes ☐ No

Unit: RMB

Item	Closing balance	Opening balance
Deductible input VAT	796,388.31	814,231.33
Prepaid value-added tax		225,322.45
Enterprise income tax		37.11
Others	267.18	
Total	796,655.49	1,039,590.89

Other explanation:

6.7 Long-term equity investments

Unit: RMB

Investee	Opening balance (book value)	Increase in investment	Decrease in investment	Profit/loss for investment by equity method	Adjustment to other comprehensive income	Other changes to equity	Cash dividend declared/or profit	Provision for impairment	Others	Closing balance (book value)	Balance of provision for impairment at end of period
I. Joint Venture											
II. Associate											
Weida High-voltage Electric Co., Ltd.	22,484,598.52									22,484,598.52	
Sub-total	22,484,598.52									22,484,598.52	
Total	22,484,598.52									22,484,598.52	

Other explanation

6.8 Other equity instrument investment

Unit: RMB

Item	Closing balance	Opening balance
Shenyang Zhaoli High-voltage Electric Equipment Co., Ltd.	30,287,682.88	30,287,682.88
HNA Tianjin Center Development Co., Ltd.	200,708,813.99	200,708,813.99
Total	230,996,496.87	230,996,496.87

6.9 Fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	49,711,031.80	50,136,802.72
Total	49,711,031.80	50,136,802.72

6.9.1 Fixed assets

Unit: RMB

Item	Buildings	Machinery & equipment	Motor vehicles & others	Total
I. Carrying amount:				
1. Opening balance	48,957,373.98	15,766,532.39	4,531,826.43	69,255,732.80
2. Increment		1,298,444.16		
(1) Purchase		155,244.27		
(2) Transferred from construction in progress		1,143,199.89		
(3) Increment from business combination				
3. Decrement				
(1) Disposal or write-off				
4. Closing balance	48,957,373.98	17,064,976.55	4,531,826.43	70,554,176.96
II. Accumulated depreciation				
1. Opening balance	9,027,326.85	6,358,823.93	2,513,068.60	17,899,219.38
2. Increment				
(1) Provision	1,067,683.38	443,699.63	212,832.07	1,724,215.08
3. Decrement				
(1) Disposal or write-off				
4. Closing balance	10,095,010.23	6,802,523.56	2,725,900.67	19,623,434.46
III. Provision for impairment				
1. Opening balance	48,957,373.98	790,600.56	280,791.55	1,219,710.70
2. Increment				
(1) Provision				
3. Decrement				
(1) Disposal or write-off				
4. Closing balance	48,957,373.98	790,600.56	280,791.55	1,219,710.70
IV. Book value				
1. Book balance at end of period	38,714,045.16	9,369,549.60	1,627,437.04	49,711,031.80
2. Book balance at beginning of period	39,781,728.54	8,617,107.90	1,737,966.28	50,136,802.72

6.9.2 Fixed assets with certificate of title to be obtained

Unit: RMB

Item	Book value	Reason for not obtaining certificates of title
Canteen	1,582,104.91	Accepted by the government but the certificate not issued
Supporting facilities in the plant	7,862,464.43	Accepted by the government but the certificate not issued
Rivet welding workshop	10,065,754.80	Accepted by the government but the certificate not issued
Machining workshop	5,032,877.41	Accepted by the government but the certificate not issued
Assembly workshop	10,065,754.80	Accepted by the government but the certificate not issued
Office	3,068,815.63	Accepted by the government but the certificate not issued
Total	37,677,771.98	

Other explanation

6.10 Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	1,675,213.67	2,803,418.80
Total	1,675,213.67	2,803,418.80

6.10.1 Construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Equipment to be installed	1,675,213.67		1,675,213.67	2,803,418.80		2,803,418.80
Total	1,675,213.67		1,675,213.67	2,803,418.80		2,803,418.80

6.10.2 Changes in major construction in progress during the period

Unit: RMB

Project	Budget	Opening balance	Increment	Transfer to fixed asset	Decrement	Closing balance	Total input to budget (%)	Progress	Total capitalised interest	Incl: Interest capitalised during the period	Interest capitalised ratio (%)	Funding source
Equipment to be installed		2,803,418.80	14,994.76	1,143,199.89		1,675,213.67						
Total		2,803,418.80	14,994.76	1,143,199.89		1,675,213.67	–	–				–

6.11 Right-of-use assets

Unit: RMB

Item	Venue lease	Total
I. Carrying amount:		
1. Opening balance		
2. Increment	30,307,600.00	30,307,600.00
3. Decrement		
4. Closing balance	30,307,600.00	30,307,600.00
II. Accumulated depreciation:		
1. Opening balance		
2. Increment		
(1) Provision	4,208,500.00	4,208,500.00
3. Decrement		
4. Closing balance	4,208,500.00	4,208,500.00
III. Provision for impairment		
1. Opening balance		
2. Increment		
(1) Provision		
3. Decrement		
(1) Disposal or write-off		
4. Closing balance		
IV. Book value		
1. Book balance at end of period	26,099,100.00	26,099,100.00
2. Book balance at beginning of period		

Other explanation:

6.12 Intangible assets

6.12.1 Intangible assets

Unit: RMB

Item	Land use rights	Patent	Non-patent technology	Software	Total
I. Carrying amount					
1. Opening balance	17,687,057.18			207,000.00	17,894,057.18
2. Increment					
(1) Purchase					
(2) Internal R&D					
(3) Increment from business combination					
3. Decrement					
(1) Disposal					
4. Closing balance	17,687,057.18			207,000.00	17,894,057.18
II. Accumulated amortization					
1. Opening balance	2,657,921.05			207,000.00	2,864,921.05
2. Increment	176,870.58				
(1) Provision	176,870.58				
3. Decrement					
(1) Disposal					
4. Closing balance	2,834,791.63			207,000.00	3,041,791.63
III. Provision for impairment					
1. Opening balance					
2. Increment					
(1) Provision					
3. Decrement					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Book value at end of period	14,852,265.55			14,852,265.55	14,852,265.55
2. Book value at beginning of period	15,029,136.13			15,029,136.13	15,029,136.13

6.13 Long-term deferred expenses

Unit: RMB

Item	Opening balance	Increment	Amortization	Other decrements	Closing balance
Improvement expenditures for fixed assets rented	529,476.54	406,041.62	284,978.04		650,540.12
Total	529,476.54	406,041.62	284,978.04		650,540.12

Other explanation

6.14 Deferred tax assets/Deferred tax liabilities

6.14.1 Details of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	209,172,991.68	209,172,991.68
Deductible loss	340,019,113.47	340,019,113.47
Total	549,192,105.15	549,192,105.15

6.14.2 Deductible loss of unrecognized deferred income tax asset due in the following years

Unit: RMB

Year	Closing balance	Opening balance	Remarks
2018		774,155.44	
2019		366,885.87	
2020	35,494.64	286,269.50	
2021	98,932.33	23,091,537.86	
2022	324,355,671.73	356,411,785.22	
2023	1,203,418.17		
No specified limit	14,325,596.60	14,274,073.14	Deductible loss by subsidiary –Northeast Electric (HK) Co., Ltd.
Total	340,019,113.47	395,204,707.03	–

Other explanation:

6.15 Short-term borrowings

6.15.1 Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Bank borrowings, secured	4,500,000.00	4,500,000.00
Total	4,500,000.00	4,500,000.00

Explanation on the classification of short-term borrowings:

Fuxin Enclosed Busbar Co., Ltd., a subsidiary of the Company, mortgaged the house located at No. 46, Xinhua Road, Haizhou District and land parcels located at the north of Xiner Road and the west of Yulong Road in Xihe Industrial Base to get a loan of RMB4.5 million from Fuxin Branch of Bank of China Limited.

6.16 Accounts payable

6.16.1 Details of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	19,438,652.21	7,836,855.34
1-2 years	1,341,695.07	2,052,617.30
2-3 years	995,847.00	837,254.84
Over 3 years	1,018,099.29	1,495,043.58
Total	22,794,293.57	12,221,771.06

6.17 Receipts in advance

Whether the New ASBEs on Revenue has been adopted

√ Yes ☐ No

6.17.1 Details of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	4,004,538.88	1,008,500.00
1-2 years	936,400.00	899,400.00
2-3 years	147,400.00	147,400.00
Over 3 years	581,743.59	581,743.59
Total	5,670,082.47	2,637,043.59

6.18 Employee compensation

6.18.1 Details of employee compensation

Unit: RMB

Item	Opening balance	Increment	Decrement	Closing balance
I. Short-term compensation	1,410,992.84	8,982,622.02	9,321,873.85	1,071,741.01
II. Post-employment benefits –defined contribution plan	137,536.14	1,599,714.31	1,605,682.69	131,567.76
III. Termination benefits	5,816.00			5,816.00
Total	1,554,344.98	10,582,336.33	10,927,556.54	1,209,124.77

6.18.2 Details of short-term compensation

Unit: RMB

Item	Opening balance	Increment	Decrement	Closing balance
1. Wages, bonuses, allowances, subsidies	1,271,693.76	7,405,305.98	7,733,706.19	935,933.66
2. Employee welfare		413,451.29	413,451.29	
3. Social insurances	76,604.20	533,134.28	528,973.14	82,335.34
Including: Medical insurance	55,479.00	438,195.94	434,518.25	60,726.69
Work injury insurance	16,316.34	64,284.05	63,992.89	16,607.50
Maternity insurance	4,808.86	30,654.29	30,462.00	5,001.15
4. Housing provident fund	47,366.31	585,320.72	604,782.80	33,694.12
5. Labor union expenditure and employee education expenses	15,328.57	45,409.75	40,960.43	19,777.89
Total	1,410,992.84	8,982,622.02	9,321,873.85	1,071,741.01

6.18.3 Details of defined contribution plan

Unit: RMB

Item	Opening balance	Increment	Decrement	Closing balance
1. Basic endowment insurance	132,515.38	1,137,946.43	1,144,247.27	126,214.54
2. Unemployment insurance	5,020.76	53,602.16	53,269.70	5,353.22
3. Enterprise annuity		408,165.72	408,165.72	
Total	137,536.14	1,599,714.31	1,605,682.69	131,567.76

Other explanation:

6.19 Tax payable

Unit: RMB

Item	Closing balance	Opening balance
Value-added tax	574,685.86	142,189.15
Enterprise income tax	1,886,736.29	1,366,600.00
Individual income tax	159,182.20	363,423.05
City maintenance and construction tax	39,232.01	893.92
Education surcharge	19,712.48	4,546.40
Tenure tax	55,626.50	55,626.50
Housing property tax	37,491.17	255,715.61
Others	132,113.32	64,289.50
Total	2,904,779.83	2,253,284.13

Other explanation:

6.20 Other payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	375,380,382.70	354,154,656.80
Total	375,380,382.70	354,154,656.80

6.20.1 Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Compensation due for CDB case	272,627,700.00	272,627,700.00
Current account	102,738,288.59	81,512,532.69
Others	14,394.11	14,424.11
Total	375,380,382.70	354,154,656.80

2) Other significant accounts payable aged over 1 year

Unit: RMB

Item	Closing balance	Reason for outstanding or carried over
Compensation due for CDB case	272,627,700.00	Not executed
Fuxin Zhengxing Construction Engineering Co., Ltd.	27,538,870.92	Actual cost of the construction in progress not yet determined
Shenyang Transformer Co., Ltd.	26,695,903.10	Creditor not yet collect
Total	326,862,474.02	–

6.21 Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Venue lease	28,750,127.56	
Total	28,750,127.56	

6.22 Provision

Whether the New ASBEs on Revenue has been adopted

√ Yes ☐ No

Unit: RMB

Item	Closing balance	Opening balance	Reason
External guarantee	34,354,500.00	34,354,500.00	
Lawsuit pending ruling	37,745,190.00	37,745,190.00	
Total	72,099,690.00	72,099,690.00	–

6.22.1 The Company had provided guarantee for the loan of RMB13,000,000.00 between Bank of China Jinzhou Branch and Jinzhou Power Capacitor Co., Ltd. ("Jinrong"), and thus undertook obligation of joint guarantee. Bank of China Jinzhou Branch filed a lawsuit in February 2005 to Jinzhou Intermediate People's Court of Liaoning Province against Jinrong for repayment of principal of RMB13,000,000.00 and the relative interests, along with request for the Company to assume joint obligation of repayment. Jinzhou Intermediate People's Court had ruled in May 2005 that the Company should undertake the joint obligation of repayment of the captioned loan principal and interests. The Company had not filed for appeal, and the Ruling had been effective. Jinzhou Intermediate People's Court of Liaoning Province issued the Enforcement Notice (2005) Jin Zhi Zi No. 89 in September 2005. And on 23 June 2010, the Court made the 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 has accordingly made provision of RMB14,464,500.00. Up to the date of report approval, the Company has not settled the abovementioned liability.

6.22.2 The Company had provided guarantee for the loan of RMB17,000,000.00 between Jinzhou Power Capacitor Co., Ltd. and Jinzhou City Commercial Bank, and thus undertook obligation of joint guarantee. The bank launched a lawsuit in March 2007 to the Jinzhou Intermediate People's Court of Liaoning Province against Jinrong for repayment of principal of RMB17,000,000.00 and related interests of RMB2,890,000.00, along with request for the Company to assume joint obligation of repayment. The court had 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 had come into effect for the Company had not appealed. Jinzhou Intermediary People's Court issued an order of Enforcement to the Company on 5 March 2008, requesting execution of obligations. The Company therefore has made provision of RMB19,890,000.00. Up to the date of report approval, the Company has not settled the abovementioned liability.

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

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

Consequently in May 2017, Tiexi Commission sued the Company and Shenyang HVS with the Shenyang Intermediate People's Court, claiming RMB37,745,190.00 for settlement compensation, interest and penalty, and New Northeast High-Voltage to assume joint and several obligations. Upon the case being accepted by the Shenyang Intermediate People's Court, the Company raised an jurisdiction objection with the Court, which was dismissed by the Shenyang Intermediate People's Court. Then the Company appealed to Liaoning Higher People's Court which had ruled to dismiss the appeal with Civil Judgment (2017) Liao Min Xia Zhong No. 196 on 6 December 2017, sustaining the ruling by the Shenyang Intermediate People's Court.

Despite disputes in the nature, limitation of action and validity of the agreements, the Company's attorney is of view that the case would probably be ruled by the Court for the Company to fully settle the remaining settlement compensation and relevant expenses for Shenyang HVS as it concerns the wellbeing of employees. Also, as Shenyang HVS's business license has been revoked, the Company had made provision of RMB37,745,190.00 in 2017 according to the attorney's opinion.

On 8 May 2019, the case was retried at Liaoning Higher People's Court. On 21 August 2019, Liaoning Higher People's Court issued Civil Judgment (2018) Liao Min Zhong No. 1032, ruling that the Civil Judgment (2017) Liao 01 Min Chu No. 430 issued by Shenyang Intermediate People's Court shall be abrogated, and the case shall be remanded to Shenyang Intermediate People's Court for retrial. Given that the case is still under trial, in the attorney's opinion, there is still a possibility that the court may order the Company to assume full payment responsibility for the remaining settlement compensation and related expenses of Shenyang HVS.

6.23 Deferred income

Unit: RMB

Item	Opening balance	Increment	Decrement	Closing balance	Reason
Government grants	10,670,597.50		243,907.98	10,426,689.52	Relocation of Fuxin Co.'s north plant
Total	10,670,597.50		243,907.98	10,426,689.52	–

Projects involving government grants:

Unit: RMB

Liability item	Opening balance	New grants for the period	Amount included in non-operating income for the period	Amount included in other income for the period	Amount written down cost for the period	Other changes	Closing balance	Asset/ revenue related
Policy-based relocation compensation for new plant construction project	10,670,597.50			243,907.98			10,426,689.52	Asset related

6.24 Share capital

Unit: RMB

	Opening balance	Increment/Decrement (+/-)					Closing balance
		New shares issued	Stock dividend	Reserve to shares	Others	Subtotal	
Total shares	873,370,000.00						873,370,000.00

Other explanation:

There are no changes of share capital in the current period.

6.25 Capital reserve

Unit: RMB

Item	Opening balance	Increment	Decrement	Closing balance
Capital premium (share premium)	115,431,040.00			115,431,040.00
Other reserve	959,397,748.67	8,014,911.19		967,412,659.86
Total	1,074,828,788.67	8,014,911.19		1,082,843,699.86

Other explanations, including increment/decrement in the current period and reasons:

Note: It is because that the equity of Hainan Garden Lane Flight Hotel Management Co., Ltd. increased by 4%.

6.26 Other comprehensive income (OCI)

Unit: RMB

Item	Opening balance	Amount incurred during the period						Closing balance
		Amount before income tax	Less: previous OCI converted to current profit or loss	Less: previous OCI converted to retained earnings	Less: income tax	Attributable to the parent company after tax	Attributable to minority interests after tax	
II. OCI to be reclassified into profit or loss	-29,012,497.21					346,094.29		-28,666,402.92
Foreign currency translation difference	-29,012,497.21					346,094.29		-28,666,402.92
Total OCI	-29,012,497.21					346,094.29		-28,666,402.92

6.27 Surplus reserves

Unit: RMB

Item	Opening balance	Increment	Decrement	Closing balance
Statutory surplus reserve	80,028,220.48			80,028,220.48
Optional surplus reserve	28,558,903.92			28,558,903.92
Total	108,587,124.40			108,587,124.40

6.28 Undistributed profits

Unit: RMB

Item	Current period	Prior period
Undistributed profits at the end of prior period before adjustment	-2,019,154,197.71	-2,034,142,303.59
Add: Net profit attributable to the owner of the parent company for the current period	-3,599,793.46	-14,119,432.82
Undistributed profits at the end of current period	-2,022,753,991.17	-2,048,261,736.41

6.29 Operating revenue and cost

Unit: RMB

Item	Amount for the current period		Amount for the prior period	
	Income	Cost	Income	Cost
Principal business	45,163,758.53	21,417,642.83	14,296,160.44	12,156,795.16
Total	45,163,758.53	21,417,642.83	14,296,160.44	12,156,795.16

Whether the New ASBEs on Revenue has been adopted

√ Yes ☐ No

6.30 Business tax and surcharges

Unit: RMB

Item	Amount for the current period	Amount for the prior period
City maintenance and construction tax	38,739.56	9,875.97
Education surcharges	16,602.67	4,232.56
Property tax	179,739.65	87,254.94
Tenure tax	333,759.00	474,582.00
Tax on vehicles		4,449.12
Stamp duty		15.00
Local education surcharges	11,068.45	2,836.71
Others	2,925.60	49,745.76
Total	582,834.93	632,992.06

6.31 Sales expenses

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Depreciation expense	4,208,500.00	
Rental	4,058,548.76	
Transportation fee	406,141.69	313,959.38
Employee compensation	5,879,481.97	555,045.38
Travelling expense	269,164.38	405,647.01
Bidding fee	71,347.62	141,785.19
Material consumption	219,760.08	31,076.09
After-sales services expenses	131,843.24	133,429.46
Entertainment fee	81,931.09	172,593.40
Office expenses	2,067,019.12	
Others		143,610.62
Total	17,393,737.95	1,897,146.53

6.32 Administrative expenses

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Employee compensation	6,638,714.82	6,538,605.93
Office expenses	792,450.85	106,178.67
Depreciation expenses	527,683.73	787,258.95
Agent fee	440,042.51	194,339.62
Heating expenses	299,475.33	423,928.50
Entertainment fee	177,768.73	161,367.37
Travelling expense	282,745.36	173,415.89
Amortization of intangible assets and long-term deferred expenses	176,870.58	199,748.10
Rental expenses	958,571.00	610,262.94
Others	833,642.26	7,354,263.72
Total	11,127,965.17	16,549,369.69

6.33 Finance expenses

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Interest expenses	632,355.00	337,360.63
Less: Interest income	1,600,318.15	20,877.42
Exchange difference	696.38	-3,103.16
Bank charges	94,879.55	49,883.37
Total	-908,599.98	363,263.42

6.34 Other income

Unit: RMB

Source of other income	Amount for the current period	Amount for the prior period
Compensation for new plant construction project in policy-based relocation	243,907.98	

6.35 Credit impairment loss

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Loss of bad debts on other receivables	830,784.80	
Total	830,784.80	

Other explanation:

Releasing provisions for bad debt losses in previous years

6.36 Assets impairment loss

Whether the New ASBEs on Revenue has been adopted

√ Yes ☐ No

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Loss on bad debts		-595,013.58
II. Loss on inventory depreciation		31,487.70
Total		-563,525.88

Other explanation:

6.37 Non-operating income

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in the current non-recurring profit or loss
Others	15,943.26	3,497,158.08	15,943.26
Total	15,943.26	3,497,158.08	15,943.26

6.38 Non-operating expenses

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in the current non-recurring profit or loss
Penalty & fines on late payment	29,066.76	7,223.01	29,066.76
Others	299.05	95,650.40	299.05
Total	29,365.81	102,873.41	29,365.81

6.39 Income tax expense

6.39.1 Statement of income tax expense

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Current income tax expense	520,173.40	
Total	520,173.40	

6.39.2 Reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the current period
Total profit	-3,388,552.14
Income tax expenses	520,173.40

6.40 Other comprehensive income

See Note VII.26 for details.

6.41 Statement of cash flows

6.41.1 Other cash received from operating related activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Current accounts	12,365,300.09	57,489,641.52
Guarantee deposits		2,020,021.00
Deposits for performance	2,397,286.07	
Interest income	44,079.43	18,926.88
Others	15,943.26	248,365.75
Total	14,822,608.85	59,776,955.15

6.41.2 Other cash paid for operating related activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Fees for cash payments	9,637,647.77	34,559,160.90
Current accounts	14,318,685.43	27,602,830.01
Deposits for performance	2,069,500.00	
Deposits for bidding		798,500.00
Total	26,025,833.20	62,960,490.91

6.41.3 Other cash related to financing activities

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Venue rental	2,055,359.68	
Total	2,055,359.68	

6.42 Supplementary information to statement of cash flows

6.42.1 Supplementary information to statement of cash flows

Unit: RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation from net profit to cash flows from operating activities	–	–
Net profit	-3,580,910.10	-14,472,647.63
Add: Provisions for assets impairment		563,525.88
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive bio-assets	1,673,138.33	2,320,845.98
Depreciation of right-of-use assets	4,208,500.00	
Amortization of intangible assets	176,870.58	199,748.10
Amortization of long term deferred expenses	244,373.88	236,929.26
Finance costs (gain is shown as "-")	132,174.99	20,745.19
Decrease in inventories (increase is shown as "-")	-3,591,271.21	-563,483.36
Decrease in operating receivables (increase is shown as "-")	-11,927,532.04	33,118,700.51
Increase in operating payables (decrease is shown as "-")	8,507,243.76	-32,560,881.81
Others	2,393,307.96	5,972,793.57
Net cash flows generated from operating activities	-2,091,919.29	-5,163,724.31
2. Significant non-cash investment and financing activities:	–	–
3. Net changes in cash and cash equivalents:	–	–
Cash at the end of period	80,286,162.35	3,390,727.00
Less: cash at the beginning of period	84,724,338.23	8,408,461.77
Net increase in cash and cash equivalents	-4,438,175.88	-5,017,734.77

6.42.2 Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Closing balance
I. Cash	80,286,162.35	84,724,338.23
Incl: Cash on hand	2,310.92	3,139.97
Bank deposits available on demand	80,283,851.43	84,721,198.26
III. Balance of cash and equivalents at end of period	80,286,162.35	84,724,338.23

Other explanation:

Note: Time deposit of RMB55,000,000.00 and deposit for performance guarantees of RMB5,588,506.07 are not included in the balance of cash and cash equivalents at the end of the year.

6.43 Assets with restricted ownership or use right

Unit: RMB

Item	Book value at end of period	Reason
Cash and cash equivalents	5,588,506.07	Deposits for performance guarantees
Fixed assets	14,018,221.48	Mortgage loan
Intangible assets	12,606,290.23	Mortgage loan
Total	32,213,017.78	–

Other explanation:

6.44 Foreign currency monetary items

6.44.1 Foreign currency monetary items

Unit: RMB

Item	Foreign currency balance at end of period	Exchange rate	Translated RMB balance at end of period
Cash and cash equivalents	–	–	
Including: US dollars	154.25	6.8747	1,060.42
Euro			
HKD	486,277.05	0.8797	427,777.92
Accounts receivable	–	–	
Including: US dollars			
Euro			
HKD			
Long-term borrowings	–	–	
Including: US dollars			
Euro			
HKD			

Other explanation:

6.44.2 Description of overseas business entities; for material overseas business entities, disclose their major business places overseas, recording currency and the selection criterion thereof; should there be any change in the recording currency, disclose the reason for such change.

√ Applicable ☐ Not applicable

Item	Assets and liabilities	
	30 June 2019	31 December 2018
Northeast Electric Development (HK) Co., Ltd.	HKD1 = RMB0.8762	HKD1 = RMB0.8762
Gaocai Technology Co., Ltd.	HKD1= RMB0.8762	HKD1 = RMB0.8762

Item	Income, expenses, cash flows	
	January to June 2019	Year 2018
Northeast Electric Development (HK) Co., Ltd.	HKD1 = RMB0.8770	HKD1 = RMB0.8561
Gaocai Technology Co., Ltd.	HKD1 = RMB0.8770	HKD1 = RMB0.8561

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

6.45 Government grants

6.45.1 Information on government grants

Unit: RMB

Type	Amount	Item	Amount included in the current profit or loss
Compensation for policy-based demolition	243,907.98	Other revenue	243,907.98

VII. Change in the scope of consolidation

There is no change in the scope of consolidation during the period.

VIII. Equity in other entities

8.1 Equity in subsidiaries

8.1.1 Composition of the Group

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

8.1.2 Information on significant non-wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Shareholding of minority shareholders (%)	Profit/loss attributable to minority shareholders	Dividends paid to minority shareholders for the period	Balance of minority interests at end of period
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	49.00%	-34,112.68		3,532,942.94

8.1.3 Financial information on significant non-wholly-owned subsidiary

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.	13,359,191.28	30,755.36	13,389,946.64	6,370,958.87		6,370,958.87	13,561,068.82	51,265.28	13,612,334.10	6,523,728.62		6,523,728.62

Unit: RMB

Name of subsidiary	Amount for the current period				Amount for the prior period			
	Operating income	Net profit	Total OCI	Cash flow from operating activities	Operating income	Net profit	Total OCI	Cash flow from operating activities
Northeast Electric (Chengdu) Electric Engineering Design Co., Ltd.		-69,617.71		-6,798,157.79		-636,242.41		-364,482.95

Other explanation:

8.2 Equity in joint ventures or associates

8.2.1 Important joint ventures or associates

Name of joint ventures or associates	Principle operating place	Registration place	Nature of business	Shareholding ratio		Accounting methods for investments in joint ventures or associates
				Direct	Indirect	
Weida High-voltage Electric Co., Ltd.	BVI	BVI	Investment holding	20.80%		Equity method

8.2.2 Main information on significant associates

Unit: RMB

	Closing balance/ Amount for the current period	**Opening balance/ Amount for the prior period**
Current assets	208,058,195.50	207,994,490.24
Total assets	208,154,624.56	207,994,490.24
Current liabilities	3,005,787.60	2,838,678.03
Total liabilities	3,005,787.60	2,838,678.03
Equity attributable to shareholders of the parent company	205,223,256.24	205,155,812.21
Pro rata shares held in net assets	42,672,408.94	42,672,408.94
Book value of equity investment to associates	22,484,598.52	22,484,598.52
Net profit	-10,810.78	-37,980.46

Other explanation

IX. Risks related to financial instrument

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

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

Goal and policies of risk management

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

9.1 Market risks

9.1.1 Foreign currency risk

Foreign currency risk is the risk of loss caused by variations in exchange rates. The main foreign currency risks for the Company involve HKD. Except that subsidiaries established overseas – Northeast Electric (HK) Co. Ltd., Gaocai Technology Co., Ltd. use HK dollar as their recording currency for financial statements, the rest of the Company's major activities are accounted in RMB. On 30 June 2019, only daily expenses reported with no purchases or sales for these subsidiaries.

On 31 December 2018, impacts on the current profit & loss and shareholders' equity are as follows, supposing HKD appreciates or depreciates 0.5% against RMB while all other variables remain unchanged:

Item	Change in exchange rate	Year 2019		Year 2018	
		Impacts on profit	Impacts on shareholder' equity	Impacts on profit	Impacts on shareholder' equity
Translation from foreign currency reports	Appreciate 0.5% against RMB	-121.59	311,843.30	-10,094.69	339,326.48
Translation from foreign currency reports	Depreciate 0.5% against RMB	121.59	-311,843.30	10,094.69	-339,326.48

9.1.2 Risks of interest rates

Risks related to changes in financial instruments' cash flow due to interest rates' variation mainly involve floating interest rates of bank borrowings, and the Company's present policy is to maintain the floating interest rates of these borrowings.

9.2 Credit risks

As of 31 December 2018, the maximum exposure of credit risks comes when the counterparty of the contract fails to perform its obligations and causes losses on financial assets and financial guarantee undertaken by the Company.

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

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

9.2.1 Notes receivable

Notes receivable for the Company mainly comprise of bank acceptance receivable which the Company exercises strict management and continuous supervision to make sure there will be no significant bad debt risk for the Company.

9.2.2 Accounts receivable

The Company only conducts transactions with recognized third parties with good credit. All customers with credit settlements will be reviewed for their credit according to the Company's policy. Furthermore, the Company will keep continuous supervision on the relative balance of receivables so that the Company won't be confronted with significant bad debt risks.

Staff are trained to strengthen risk awareness, risk management procedures are improved continuously. Measures are used to improve internal control over customers' credit policy management, whose adjustment requires necessary review procedure.

Detailed transaction entries and accounting are requested by the Company. Payment records of customers are used as important reference for their credit evaluation. Dynamic management are exercised over customers' information, updated information of customers' are required for relative credit policy to the customers.

Management of the Company considers credit risks facing by the Company have been greatly reduced because it only conducts transactions with recognized third parties with good credit, and manages concentration of credit risks by customer.

9.2.3 Other receivables

Other receivables of the Company consist mainly of petty cash, guarantee deposits, etc. The Company manages all these receivables with relative business operations and supervises on an ongoing basis to make sure no significant bad debt risk will occur.

9.3 Liquidity risk

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

X. Disclosure of fair value

10.1 Fair value of assets and liabilities measured at fair value at the end of the period

Unit: RMB

Item	Fair value at the end of the period			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement	–	–	–	–
(I) Other equity instrument investment			230,996,496.87	230,996,496.87
Total assets measured at fair value on a recurring basis			230,996,496.87	230,996,496.87

Fair value of financial assets and financial liabilities not at fair value

Financial assets and financial liabilities not measured at fair value of the Company include accounts receivable, short-term borrowings and accounts payable. The difference between the book value and fair value of these financial assets and financial liabilities is small.

XI. Related parties and related parties transactions

11.1 The parent of the Company

Name	Registration place	Nature of business	Registered capital	Shareholding ratio of the parent	Voting percentage of the parent
Beijing Haihongyuan Investment Management Co., Ltd.	Beijing	Investment and management	RMB30,000.00 million	9.33%	9.33%

Explanation on the parent company

(1) On 23 January 2017, the former largest controlling shareholder of the Company – Changzhou Qsing Chuang Industrial Investment Group Limited (常州青創實業投資集團有限公司) agreed to transfer 81,494,850 A Shares (9.33% of the Company's total share capital) without selling restriction of the Company to Beijing Haihongyuan Investment Management Co., Ltd. ("Beijing Haihongyuan") by signing the Transfer Agreement of Shares of Northeast Electric Development Company Limited.

On 13 February 2017, registration of share transfer completed at China Securities Depository and Clearing Corporation Limited Shenzhen Office. Thus, Beijing Haihongyuan has become the largest controlling shareholder of the Company, with 81,494,850 shares of the Company which is 9.331% of total shares.

(2) Beijing Haihongyuan increased its share capital from RMB20 million to RMB30,000.00 million in October 2017, with RMB3,520.00 million paid-up.

(3) On 21 December 2018, Beijing Haihongyuan pledged 9.33% of its shares held in the Company to Bank of Guangzhou Co., Ltd.

The ultimate controlling party of the Company is Hainan Province Cihang Foundation.

11.2 Subsidiaries of the Company

Please refer to Note IX for details of subsidiaries of the Company.

11.3 Joint ventures and associates of the Company

Please refer to Note IX for details of important joint ventures or associates of the Company.

11.4 Other related parties

Name of other related parties	Relationship with the Company
Asia-Pacific International Conference Center Co., Ltd.	Under the same de facto controller
Dongguan Yujingwan Hotel	Under the same de facto controller
Yunnan Tonghui Hotel Management Co., Ltd	Under the same de facto controller
Danzhou HNA Xintiandi Hotel Co., Ltd.	Under the same de facto controller
Jilin Province Tourism Group Co., Ltd. (Zijinghua Hotel)	Under the same de facto controller
Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel)	Under the same de facto controller
HNA Tianjin Center Development Co., Ltd.	Under the same de facto controller
Hainan Yingzhi Construction and Development Co., Ltd.	Under the same de facto controller
Hainan Trans Property Management Company Limited	Under the same de facto controller
HNA Business Services Co., Ltd.	Under the same de facto controller
Beijing Haihongyuan	Under the same de facto controller
HNA Group Finance Co., Ltd.	Under the same de facto controller
Hainan Guoshang Hotel Management Co., Ltd.	Under the same de facto controller
Hainan Junbo Hotel Management Co., Ltd.	Under the same de facto controller
Hangzhou Huagang HNA Resort Co., Ltd.	Under the same de facto controller

Other explanation

11.5 Related party transactions

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

Statement of purchase of goods and receipt of services

Unit: RMB

Related party	Content of related party transaction	Amount for the current period	Transaction facility approved	Whether the transaction facility is exceeded	Amount for the prior period
Asia-Pacific International Conference Center Co., Ltd.	Venue lease	746,800.00	6,720,000.00	No	
Dongguan Yujingwan Hotel	Venue lease	1,893,200.00	17,040,000.00	No	
Yunnan Tonghui Hotel Management Co., Ltd	Venue lease	408,500.00	2,940,000.00	No	
Danzhou HNA Xintiandi Hotel Co., Ltd.	Venue lease	325,000.00	2,340,000.00	No	
Jilin Province Tourism Group Co., Ltd. (Zijinghua Hotel)	Venue lease	779,000.00	6,600,000.00	No	
Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel)	Venue lease	1,450,000.00	13,440,000.00	No	
HNA Tianjin Center Development Co., Ltd.	Venue lease	720,000.00	15,600,000.00	No	
Hainan Yingzhi Construction and Development Co., Ltd.	Office lease	183,357.00	1,100,000.00	No	
Hainan Trans Property Management Company Limited	Property management of office	112,051.50	220,000.00	No	
HNA Business Services Co., Ltd.	Labour market intermediary	5,580.00	500,000.00	No	

Statement of sales of goods and rendering of services

Unit: RMB

Related party	Content of related party transaction	Amount for the current period	Amount for the prior period
Asia-Pacific International Conference Center Co., Ltd.	Rendering of services	1,404,587.58	
Dongguan Yujingwan Hotel	Rendering of services	4,989,740.98	
Yunnan Tonghui Hotel Management Co., Ltd	Rendering of services	1,867,120.04	
Danzhou HNA Xintiandi Hotel Co., Ltd.	Rendering of services	1,808,068.64	
Jilin Province Tourism Group Co., Ltd. (Zijinghua Hotel)	Rendering of services	3,102,730.38	
Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel)	Rendering of services	4,874,229.69	
HNA Tianjin Center Development Co., Ltd.	Rendering of services	2,838,562.07	

11.5.2 Leasing between related parties

Unit: RMB

Lessor name	Type of leased assets	Rental expense recognized in the current period	Rental expense recognized in the prior period
Asia-Pacific International Conference Center Co., Ltd.	Venue lease	746,800.00	
Dongguan Yujingwan Hotel	Venue lease	1,893,200.00	
Yunnan Tonghui Hotel Management Co., Ltd	Venue lease	408,500.00	
Danzhou HNA Xintiandi Hotel Co., Ltd.	Venue lease	325,000.00	
Jilin Province Tourism Group Co., Ltd. (Zijinghua Hotel)	Venue lease	779,000.00	
Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel)	Venue lease	1,450,000.00	
HNA Tianjin Center Development Co., Ltd.	Venue lease	720,000.00	
Hainan Yingzhi Construction and Development Co., Ltd.	Office lease	366,714.00	

11.5.3 Capital borrowing/lending between related parties

Unit: RMB

Related party	Borrowing/lending amount	Start date	Due date	Remarks
Borrowing				
Beijing Haihongyuan Investment Management Co., Ltd.	15385.34	31 May 2019	31 December 2019	

11.6 Receivables and payables of related parties

11.6.1 Receivables

Unit: RMB

Item	Related party	Closing balance	Opening balance
		Book balance	Book balance
Accounts receivables	Jilin Province Tourism Group Co., Ltd. (Zijinghua Restaurant)	1,716,814.18	
Accounts receivables	Yunnan Tonghui Hotel Management Co., Ltd	922,973.57	
Accounts receivables	Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel)	1,729,686.58	
Accounts receivables	Asia-Pacific International Conference Center Co., Ltd.	892,764.36	
Accounts receivables	Danzhou HNA Xintiandi Hotel Co., Ltd.	659,893.89	
Accounts receivables	HNA Tianjin Center Development Co., Ltd. (Tangla Hotel)	665,315.17	
Accounts receivables	Asia-Pacific International Conference Center Co., Ltd.	15,481.00	
Accounts receivables	Dongguan Yujingwan Hotel	2,839,800.00	
Accounts receivables	HNA Business Services Co., Ltd.	11,020.00	5,440.00
Accounts receivables	Hainan Junbo Hotel Management Co., Ltd.	119,782.40	117,313.62

Note: For related party transactions agreed to settle at net amount, amounts due from related parties may be presented after offset.

11.6.2 Payables

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Yunnan Tonghui Hotel Management Co., Ltd	408,500.00	
Accounts payable	Jilin Province Tourism Group Co., Ltd. (Changbaishan Hotel)	519,577.83	
Accounts payable	Asia-Pacific International Conference Center Co., Ltd.	881,754.49	
Prepayments	HNA Tianjin Center Development Co., Ltd. (Tangla Hotel)	796,650.00	
Other payables	Asia-Pacific International Conference Center Co., Ltd.	143,540.32	
Other payables	Dongguan Yujingwan Hotel	709,026.20	
Other payables	Weida High-voltage Electric Co., Ltd.		343,711.50
Other payables	Hainan Yingzhi Construction and Development Co., Ltd.	1,375,177.50	825,106.50
Other payables	Hainan Trans Property Management Co., Ltd.	278,076.24	248,353.05
Other payables	Beijing Haihongyuan Investment Management Co., Ltd	15,385.34	980,336.56

Note: For related party transactions agreed to settle at net amount, amounts due to related parties may be presented after offset.

11.7 Commitments of related parties

11.8 Others

Deposit service

HNA Group Finance Co., Ltd. is under the same de facto controller as the Company. It provides deposit services and other financial services that are approved by China Banking Regulatory Commission to the Company and its subsidiaries. As of 30 June 2019, the balance of deposits of the Company and its subsidiaries in HNA Group Finance Co., Ltd. was RMB71,368,232.65.

XII. Stock payment

The Company has no stock payment to be disclosed during the reporting period.

XIII. Commitment and contingencies

The Company has no significant commitments and contingencies to be disclosed during the reporting period.

XIV. Events subsequent to balance sheet date

The Company has no events subsequent to balance sheet date to be disclosed during the reporting period.

XV. Other important events

The Company has no other important events to be disclosed during the reporting period.

XVI. Major notes to parent company's financial statements

16.1 Accounts receivable

16.1.1 Classification of accounts receivable

Unit: RMB

Type	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Accounts receivable of which provision for bad debts is made on an individual basis	0.00		0.00		0.00					
Include:										
Accounts receivables of which provision for bad debts is made on a group basis	1,423,911.79	100.00%	1,423,911.79	100.00%	0.00	1,423,911.79	100.00%	926,107.07	65.04%	497,804.72
Include:										
Total	1,423,911.79	100.00%	1,423,911.79	100.00%		1,423,911.79	100.00%	926,107.07	65.04%	497,804.72

16.2 Other receivables

Unit: RMB

Item	Closing balancing	Opening balancing
Other receivables	258,470,901.48	266,704,974.17
Total	258,470,901.48	266,704,974.17

16.2.1 Other receivables

1) Other receivables by nature

Unit: RMB

Nature	Closing balance	Opening balance
Other significant receivables of which provision for bad debts is made on an individual basis	0.00	0.00
Other receivables of which provision for bad debts is made on a group basis	258,470,901.48	266,704,974.17
Total	258,470,901.48	266,704,974.17

2) Details of provision for bad debts

Unit: RMB

	Phase I	Phase II	Phase III	
Bad debt provision	Expected credit loss over the next 12 months	Lifetime expected credit loss (not credit-impairment loans)	Lifetime expected credit loss (credit-impairment loans)	Total
Balance on 1 January 2019		76,455,905.26		76,455,905.26
Balance for the period on 1 January 2019	–	–	–	–
Balance on 30 June 2019		76,455,905.26		76,455,905.26

Changes in book balance of provision for losses with significant changes in the current period

☐ Applicable √ Not applicable

Disclosure by aging

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	258,461,121.48
1-2 years	9,780.00
Total	258,470,901.48

3) Provision, retrieval or reversal of bad debts for the period

Provision of bad debts for the period:

Unit: RMB

Type	Opening balance	Changes for the period		Closing balance
		Provision	Retrieval or reversal	
Provision for bad debt of other receivables	76,455,905.26			76,455,905.26

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

Unit: RMB

Name of company	Nature	Closing balance	Aging	Percentage in total balance of other receivables at end of period	Balance of provision for bad debts at end of period
Hainan Garden Lane Flight Hotel Management Co., Ltd.	Current account	115,431,062.63	Within 1 year, 2-3 years	34.46%	-
Gaocai Technology Co., Ltd.	Current account	79,298,247.36	Over 4 years	23.68%	-
Benxi Iron & Steel (Group) Co., Ltd.	Current account	76,090,000.00	Over 4 years	22.72%	76,090,000.00
Shenyang Kaiyi Electric. Co., Ltd.	Current account	57,528,870.57	Within 1 year, 1-2 years	17.18%	-
Northeast Electric (Chengdu) Power Engineering Design Co., Ltd.	Current account	6,188,632.29	Within 1 year	1.85%	-
Total	–	334,536,812.85	–	99.88%	76,090,000.00

16.3 Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investment in subsidiaries	173,305,837.52	116,869,364.49	56,436,473.03	173,305,837.52	116,869,364.49	56,436,473.03
Total	173,305,837.52	116,869,364.49	56,436,473.03	173,305,837.52	116,869,364.49	56,436,473.03

16.3.1 Investment in subsidiaries

Unit: RMB

Investee	Opening balance (book value)	Increase/decrease during the period				Closing balance (book value)	Balance of provision for impairment at end of period
		Increase in investment	Decrease in investment	Provision for impairment	Others		
Northeast Electric Development (HK) Co., Ltd.	53,757,001.09					53,757,001.09	102,942,450.54
Shenyang Kaiyi Electric Co., Ltd.	0.00					0.00	100,000.00
Gaocai Technology Co., Ltd.	2,679,471.94					2,679,471.94	13,826,913.95
Total	56,436,473.03					56,436,473.03	116,869,364.49

XVII. Supplementary information

17.1 Breakdown of extraordinary profit or loss for the period

☐ Applicable √ Not applicable

17.2 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 of the Company	-50.24%	-0.0041	-0.0041
Net profit attributable to ordinary shareholders of the Company after deduction of extraordinary profit or loss	-50.24%	-0.0041	-0.0041

17.3 Differences in figures under domestic and foreign accounting standards

17.3.1 Differences arising from preparing financial statements in accordance with the International Financial Reporting Standards and PRC GAAP on net profit and net asset

☐ Applicable √ Not applicable

17.3.2 Differences arising from preparing financial statements in accordance with the foreign accounting standards and PRC GAAP on net profit and net asset

☐ Applicable √ Not applicable

17.3.3 Reasons for the differences in figures under domestic and foreign accounting standards. The name of the foreign audit institution shall be indicated if the data audited by the foreign audit institution has been regulated differently.

17.4 Others

IX. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available at the Office of the Board of Directors of the Company for inspection:

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

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

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

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